# MASS TRANSIT SYSTEMS—NEW YORK

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# HEARING

BEFORE A

## SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

## SPECIAL HEARING

**Department of Transportation**

**Nondepartmental Witnesses**

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# MASS TRANSIT SYSTEMS—NEW YORK

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TUESDAY, APRIL 14 1981

U.S. SENATE,
SUBCOMMITTEE ON TRANSPORTATION AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
*New York, N.Y.*

The subcommittee met at 10:20 a.m., in room 305C, 26 Federal Plaza, New York, N.Y., Hon. Alfonse M. D'Amato (chairman) presiding.

Present: Senator D'Amato.

## NONDEPARTMENTAL WITNESSES

### OPENING STATEMENT OF SENATOR D'AMATO

Senator D'AMATO. This subcommittee will come to order.

This is the Subcommittee on Transportation of the Senate Appropriations Committee.

Today we will hear from elected officials, both State, Federal, local, transit systems operators, financial interest, citizens and their representatives.

Traditionally, the economic lifeline of any community has been transportation.

In the case of New York that happens to be mass transportation. So we are vitally interested in terms of what the status of the systems are now, what the condition will be in the future, what, if any, effects and programs that are being laid out now by the Federal Government, how they will impact on our local communities, and we are not only talking about the city of New York.

Indeed, there are many who have construed the mass transit today as impacting only on New York City, failing to recognize that those impacts will be felt by the suburban communities, Nassau, Suffolk, Westchester, by the upstate communities, and in some cases, by the smaller cities, in a far more devastating manner than if the cuts were and will impact on New York City.

Today, as our first witness, I call on the Honorable Mayor Edward Koch of the city of New York.

Mayor KOCH. Thank you very much, Senator.

## MAYOR, CITY OF NEW YORK

### STATEMENT OF HON. EDWARD KOCH, MAYOR OF THE CITY OF NEW YORK

### INTRODUCTION OF ASSOCIATES

Mayor KOCH. What I would like to do first is introduce Renee Mitchell, who is a special assistant to me and at City Hall is responsible for mass transit, in addition to the fact that she is a member of the Metropolitan Transit Authority—MTA—itself, on its Board and, perhaps, during the question and answer she might have an opportunity to make some of her own observations.

I would like at the outset, Senator D'Amato, Al D'Amato, good friend, to first compliment you on the leadership that you have taken in this matter, in the mere 4 months of the new Congress, in alerting the rest of the country with your colleague, Senator Pat Moynihan, on the importance of mass transit. For the city of New York it is key, but we are coming before you, not asking for a special dispensation for the city of New York, because our problem is the problem of all major areas, urban areas, having mass transit.

### EFFECT OF SELECTION OF TRANSPORTATION SUBSIDIES

While it is true that we are one of the few cities that have both a subway system and a bus system, most of the major cities in the country, if not all of them, have bus systems and they will suffer equally with us if the proposal to ultimately delete all Federal operating subsidies for mass transit is carried out, which would remove all of those dollars in fiscal year 1985. It means to the city of New York $122 million.

I want to make it clear that in terms of the current formula that exists, we are already shortchanged. The city of New York, the State of New York, under the existing formula we get about 15 percent of the operating subsidies provided by the Federal Government. But we have in the city of New York more than 30 percent of the ridership, and we have the largest subway system in the world, over 700 miles of track, and if the formula were to be equitable, we should be getting about 30 percent of the operating subsidies. Instead, we are getting 15 percent, and we want to make it clear that over the years we have been shortchanged and it would be even more egregious to remove that which we are currently receiving.

### RECIPIENTS OF TRANSIT AID

Now, an observation has been made by the administration that, in fact, mass transit is not used by poor people. It is just the other way, at least in the city of New York, and I cannot comment on the other cities but I can give you some statistics that relate to the city of New York. And this would be in contradistinction to the opponents' position, which is that only 23½ percent of the transit aid goes to working poor and middle-income people.

Let me give you the facts as we know them in the city of New York, and I am now quoting a Daily News poll of very recent vintage. Of the subway riders interviewed, only 20 percent earned more than $25,000 a year. The survey, in fact, shows that over 82 percent of the bus riders made less than $25,000 a year and 63 percent of those bus riders made less than $15,000 a year, so you can see that the people who are using our mass transit system are, in fact, working poor, low, moderate-income people.

And as it relates to their dependency on mass transit, there are some significant figures; 60 percent of all trips that are made in the city of New York each day are made by mass transit subway or bus, and 85 percent of all persons coming into the central business district of Manhattan during rush hours come by mass transit.

Why is it so key from a national point of view to enhance the use of mass transit as opposed to just looking at it from our needs, and let me just, at the outset, say that of the total cost of running our mass transit facilities, the operating subsidies pay only 7 percent from the Federal Government. In other words, 93 percent comes out of the farebox, the State subsidy and the city subsidy and the Federal subsidy is only 7 percent, and I will get back to the meaning of that figure in a few moments.

### ADVANTAGES IN FEDERAL SUPPORT OF MASS TRANSIT

But why is it so important for the Federal Government to support mass transit? Let me point out why it is key.

We allegedly have an energy policy. Our energy policy is to reduce the use of foreign imported oil; 25 percent of our oil is used to create gasoline. That is the largest use of our oil supplies.

And in the city of New York you have these very startling figures. New Yorkers consume, on the average, 150 gallons of gasoline per person annually. In the State of New York it is twice that, or 332. The national average is 490 gallons per person, three times that which is used in the city of New York.

### EFFECT ON RIDERSHIP FROM INCREASED SUBWAY COSTS

What happens if people are driven off the subway system by increasing the costs? You can say, "Well, is that possible?"

Yes, we know that every time the fare goes up, we lose ridership and we also know that you can reach a point where the subway system, or the bus system, cannot operate. Birmingham actually had its entire mass transit system, which consisted of buses, collapse. I don't know whether it has been restored yet or not but, in fact, it actually went out of service. Boston had that for its subway system for a brief period of time. So it is in the interests of the Federal Government to conserve gasoline by enhancing the use of mass transit.

### RISE IN OIL IMPORTS FROM REDUCED SUBSIDIES

But let me give you another dollar figure which I think has not been discussed on other occasions and it is a figure that appears in the regional plan association report on the matter.

They compute that a $1 billion reduction in Federal operating assistance, which is what the ultimate phasing out of Federal subsidies will come to, will result in $650 million in annual increases in the cost of imported oil. The Federal Government will, in fact, cause the outgo of moneys in unfavorable balance of trade, which we are constantly trying to change, and add to that unfavorable balance by $650 million going to OPEC instead of $1 billion being used in this country.

Senator D'AMATO. Mr. Mayor, what authority gave you those——

Mayor KOCH. The Regional Plan Association, a very distinguished nongovernmental agency.

### FAREBOX CONTRIBUTION

The question, then, is somtimes raised: Well, is the farebox paying enough here?

Let me tell you that in New York City we make among the highest fares in terms of the ratio between the total cost of operating subways and the amount that is collected at the farebox. Our farebox contribution is 51 percent in New York City. In Atlanta it is 21 percent; in Jackson, Miss., it is 25 percent; in St. Louis, Mo., it is 20 percent. I mention that because New York City receives only an average of one-third the amount of Federal operating aid per rider that is received by other major cities.

### SIOUX FALLS ARGUMENT

In concluding that part of my statement, I want to cover one more point, which has been raised by President Reagan. It is called the Sioux Falls argument.

Sioux Falls is a city in South Dakota, I believe, and the question is: Why should a taxpayer of Sioux Falls pay for the transportation of New Yorkers?

Let me say, it is New Yorkers who pay for transportation in Sioux Falls and we are not complaining. How do I know that? Because in Sioux Falls, S. Dak., Federal operating aid accounts for 36 percent of its budget. Isn't that interesting? Seven percent for us, 36 percent for them, and they say they are carrying us on their backs. We say we are happy to participate in their need, because this is one country and there are national needs, and we don't want to leave Sioux Falls out of those needs, but the argument is, in fact, reversed. It is not that which was posed by the President.

Now, to conclude——

Senator D'AMATO. In addition to workers saving that gasoline, which is now available to those who reside in Sioux Falls at cheaper prices.

Mayor KOCH. Exactly so, exactly so.

Finally, two points—one on the capital program and one on section 504.

### CAPITAL PROGRAM

While it is quite true that the capital program is not savaged by the administration's attack upon mass transit, it is hurt, because the minimal increases by the proposal of the administration will effectively reduce spending power as a result of inflation by 8 to 10 percent.

So while they are not phasing out the capital program, they are not keeping current with inflation, which, in fact, reduces the amount that is available.

### SECTION 504 AMENDMENT

Then, to conclude, as it relates to 504, 504 was put into mass transit legislation while I was there. It was a one-sentence language amendment. It then was blown up by the Department of Transportation into, I think, 40 pages of regulation and the ultimate outcome of that was to provide, demanding that the city of New York and other cities situated around the country—but our problem is enhanced, so to speak, increased by the fact that we have two systems. We have a subway system and a bus system and they track one another. The mandate of the Department of Transportation, if carried out, would require, under section 504, that we make our subways, through retrofitting, equally accessible to the handicapped.

We have estimated that the cost of doing that in capital funds, in current dollars, is $1.4 billion and, as I have already indicated to you, the Federal Government is not only not going to increase the dollars made available for capital construction, it is, in fact, reducing them.

On top of that, they want to take away from the money that they give us, $1.4 billion over this 30-year period, which could be used for new capital construction, and have it used for retrofitting so as to make it possible for approximately 1,000 people who are in wheelchairs to use this system, which is used daily by about 3½ million people.

### PER RIDE COSTS OF NEW YORK SUBWAY SYSTEM

The cost per ride—I do not remember the last cost, but it was about $50 or $60 for each ride. It is ridiculous, absolutely ridiculous. We have said so. We said there should not be a retrofitting of our subway system. Where you have two systems, allow the locality, in this case New York City, to make its buses accessible. It is much cheaper, from our point of view, and would serve the purpose.

We also should tell you that aside from the capital funding that would be employed to carry out the section 504, the operating costs that are entailed, for all of the changes that are required to service these 1,000 handicapped, wheelchair passengers, comes out to $50 million a year, which comes out of our operating budget. It is an inexcusable burden and we have asked the Congress to rescind it, and I want to praise the Reagan administration for taking that on, and as I understand it, OMB, under David Stockman, has sent over legislative language which would eliminate that retrofitting requirement for our subway system.

I think I will close on that note, the formal presentation.

Senator D'AMATO. Thank you very, very much, Mr. Mayor.

These words are recorded for posterity and I will say this to you, I will see to it that they are circulated to all of my colleagues in the Senate. I think that there is some meat in there for them to reflect upon, whether they come from Sioux Falls or whether they come from the South or from the Northeast.

I am deeply appreciative of your candor and your thoughtful presentation.

Mayor KOCH. Thank You.

## NEW YORK STATE METROPOLITAN TRANSPORTATION AUTHORITY

## STATEMENT OF RICHARD RAVICH, CHAIRMAN OF NEW YORK STATE METROPOLITAN TRANSPORTATION AUTHORITY

### PREPARED STATEMENT

Senator D'AMATO. We will now have Mr. Richard Ravich, chairman of the MTA.

Mr. RAVICH. Just, if you will forgive me, Senator, one slight correction on your printed agenda. I am not chairman of the New York City MTA, but the New York State MTA. As you well know, a regional authority responsible not just for the transit systems in the city but for the commuter lines as well.

I would like to touch on a few things this morning.

Senator D'AMATO. I would like you to, Chairman Ravich, for the purposes of the record.

### THE ECONOMY AND THE MASS TRANSIT SYSTEMS

As I have indicated to the mayor, I think he did an excellent job in a short period of time in touching on some of the, I believe, inadequacies, not only of the present funding system, but, indeed, some of the additional burdens that will take place. But I would like very much if you would encapsule at a later time in writing your recommendations and your thoughts with respect to the impact of the mass transit formulas as proposed in the budget, so that my colleagues will also have that opportunity to review your thoughts.

Mr. RAVICH. I intend to do that, Senator, in the course of my comments here this morning.

Senator D'AMATO. Good.

Mr. RAVICH. I do not wish to gild the lily, because I have said it often enough. The mayor has said it; the Governor has said it; you have said it and the press has reported it frequently.

The economy of this region could not survive without the existing mass transit system. It accommodates 48 percent of the work force; 85 percent of the people that come into the central business district in New York every day come in on mass transit.

We move approximately 6 million passengers a day and it is inconceivable to imagine that the economy could flourish, that property values could continue to go up, that businesses would make locational decisions, but for the existence of a mass transit system at a reasonable price to the rider.

As I have often said as well, it is inconceivable that this system can continue to perform that function as badly as it is presently performing it, or even as badly as it is presently performing it, without infusions of dollars far above what is presently recommended in the budgets of all three levels of government.

The system, pure and simple, is going to hell in a basket and will be incapable of moving reliably, safely and commodiously by the people that it has to move every day unless something very dramatic happens very quickly in terms of the available dollars for our transit system.

### OPERATING PROGRAM

Let me first address myself to the operating picture.

The proposed cuts in the section 5 operating assistance program would, if enacted into law, result in the fares going up on the New York City Transit System of 10 to 15 cents by the time the full amount of section 5 operating assistance were eliminated, in accordance with the administration's budget plan.

If Congress were to adopt it as proposed, you would see that fare, all other things being equal, in addition to any other fare increases that may be required or override of other reasons, you would see an incremental fare in the New York City Transit System of 15 cents.

### COMMUTER FARE INCREASES

And you would see in the commuter lines, in the Conrail system that services Westchester and the Long Island Railroad, that services Nassau and Suffolk Counties, you would see fare increases of roughly 20 percent over and above what otherwise might be necessary as a result of these proposed cuts in operating assistance.

In light of the fact that at the moment the gross receipts tax is under legal challenge, has to be collected in full by the State, in light of the fact that there is no proposed increase in the amount of State operating assistance, in light of the fact that the counties and the city of New York have sought from the legislature a cap on what is known as the State maintenance contributions to the operating budgets of our commuter lines, we see increased fares and the rate of increase accelerating over the next few years.

So it is an untimely event to face, in addition, the elimination of prospective Federal operating subsidies.

It has been my position since I assumed the chairmanship of MTA that it was our job to try to run these systems as best and as efficiently as we can, to inform the public and three levels of government of what the appropriate costs are of running that system and that it was a governmental decision in the first instance as to how much of the cost of moving a rider ought to be borne in the farebox and how much by the taxpayer.

We do not have the power to extract money, except in the farebox, a method we find unpleasant, but better than the other known alternative, which is to dramatically slash service throughout the entire system.

So it is up, in the first instance, to the three levels of government, to decide how much of the necessary operating costs of MTA are going to be borne by which group of taxpayers.

And whereas I regret the proposed cut in Federal operating assistance and hope that the Congress will review this carefully and leave the section 5 program intact, I also hope that the other levels of government will also review carefully their proposed operating assistance and consider increasing that as well.

Otherwise, the percentage of the cost per ride that is borne by the user of this system will increase dramatically over the next 5 years.

### ALTERNATIVE TO FEDERAL FUNDING

Senator D'AMATO. If I might, Mr. Chairman, what do you perceive to be the area of greatest concentration today that is necessary to continue the operation of our lines without having a total breakdown?

Would it be an infusion of capital funds?

What kind of infusion of capital funds do you envision and if those capital funds are not forthcoming, what do you predict as the outcome?

Mr. RAVICH. If the Federal contributions to the capital side and/or the State and local contributions do not increase fourfold to sixfold and if the legislature does not grant MTA the power to borrow money, a proposal which I have been seeking from the State government for the last 4 months, then I believe over the next 10 years you are going to see this system become totally dysfunctional.

### CONSTRUCTION TRADE FROM FEDERAL GOVERNMENT

Senator D'AMATO. Let us dispose of one possibility.

There is absolutely no possibility, reasonably, that we could anticipate having an increase in the level of construction trade from the Federal Government.

Mr. RAVICH. Let me comment on that, if I may, Senator.

The administration's proposal with respect to the section 3 funds is a favorable one from New York's point of view, and even though I would like to see the level of authorization increase, basically there is a recognition on the part of the administration that it wants to concentrate its resources on the rehabilitation of existing systems, rather than the construction of new ones.

New York actually fares better under the administration's proposed capital budget than it did under the previous administration's proposed capital budget with regard to section 3 funds.

But I want to point out, and it is important, Senator, that the action taken by the Senate Budget Committee in accepting the total level of transportation funding as proposed by the administration, but leaving open how it would be divided between the various transit aid categories, is an action fraught with serious danger for us.

### TRANSFER OF FUNDS FROM SECTION 3 TO SECTION 5 PROGRAMS

It will not serve New York's interests to have money taken out of the section 3 program and put into the section 5 program for two reasons:

One, because if we take money—or if the Congress were to ultimately pass a law that would reduce the section 3 program to the benefit of the operating assistance program, then, one, the physical condition of the system would continue to decline and we would have less rolling stock and fewer buses on which to collect any fares.

No. 2, New York gets higher percentages of the section 3 funding than it does of the section 5 funding. So that proposal, it it is, indeed, a specific proposal in the minds of anybody in the Senate, ought to be projected by you and your colleagues, Senator, because it does not serve New York City's interest. We would like to see the section 5 program restored, but not at the expense of the section 3 program.

### PROPOSED FUNDING LEVELS

Senator D'AMATO. Again, the level of funding that has been proposed for construction, for argument's sake, accepting that that is the level that will be enacted, that is still going to leave our transit system authority how many billions of dollars, would you estimate, in terms of bringing the various commuter lines, the subway systems, into what we would consider to be a generally acceptable standard?

Mr. RAVICH. If the administration's budget proposals with respect to section 3 are carried out—in a sense carried forward—for the balance of this decade, we would fall short in excess of $10 billion, fall short by $10 billion, measured in 1980 dollars, of our needs, and that is an optimistic projection, Senator.

Senator D'AMATO. So that you see, over the next decade, the need for capital infusion over and above what can reasonably be anticipated from the Federal budget in excess of $10 billion?

Mr. RAVICH. That's correct.

Senator D'AMATO. Now, the program that has been submitted to the legislature calls for an infusion of somewhere in excess of $5 billion; is that correct, sir?

Mr. RAVICH. The program that's before the legislature now authorizes MTA to use its revenues to service debt. In other words, it gives MTA the power to borrow money. There is no limit other than a limit as to the percentage of our revenues that can be utilized for that purpose, on the amount of that we can borrow over the next 10 years.

### ESTIMATE OF AVAILABLE REVENUES

Senator D'AMATO. Any estimate as to the revenue that would be available?

Mr. RAVICH. It is estimated that at the moment the projections are that we could borrow $400 to $500 million a year out of what we call farebox-backed bonds and we would be free to borrow, with our TBTA revenue stream, about $600 million now, and as we raise tolls in the future, with every 25 cents toll increase, to be able to borrow an additional $700 million with Triborough Bridge and Tunnel Authority.

And we hope very much and expect that as the public begins to recognize, if this law is enacted, it is, in fact, possible to improve the quality and reliability of the transit system service, that there will be support for more appropriations, more bonds issued and hopefully we will be able to persuade the Federal Government to increase attributions or authorizations under section 3, essential as well as desirable, for the physical interest structure.

### MTA ASSUMPTION OF COMMUTER TRAFFIC

Senator D'AMATO. Last week, Secretary of Transportation Lewis indicated to me in a hearing held on the matter of mass transit, it was his intention that the Conrail commuter trains in the Northeast Corridor be turned over to local transit authorities.

Obviously, we have got a great State in terms of operation, that comes in and services the suburban communities along the Hudson, Westchester, et cetera. What is your view under the circumstances that you are now operating under? Is that feasible? Can you envision the MTA assuming the operation, and under what circumstances do you see that taking place, if any?

Mr. RAVICH. I had a similar conversation with the Secretary. We have anticipated now for some time the fact that it may become necessary, if the Federal Government legislates Conrail out of the passenger service business, or, indeed, perhaps desirable, that we replace Conrail under certain circumstances. We are gearing up for a transition so that we will be in a position to do that. Yes, I think ultimately it is possible for us to do that.

The key to doing it in a way that will serve the public efficiently, Senator, if we had the ability, if we were to take it over, to bargain with our employees under the New York State Federal laws, rather than under the Federal Labor Act, and make sure that we were not burdened with the labor protective agreements that have made the Conrail operation a losing, inefficient operation.

Senator D'AMATO. Would you make that as a condition precedent to——

Mr. RAVICH. I am not sure we have much bargaining power, but I certainly intend to do everything I can to seek the ability to deal with that problem.

Senator D'AMATO. Let me suggest that if the Federal Government were to turn this over to the local authorities without you getting that kind of relief, there would be no way to get that relief once you undertook that burden.

Mr. RAVICH. Senator, let me explain.

It is not a Federal decision to turn it over to us. MTA is the owner of these commuter lines. We have a management agreement with Conrail which, under Federal law, Conrail must sign. We are not obligated to sign it. It is basically at our option that we have Conrail performing the service. We reimburse them there direct costs, plus a certain factor for overhead. So that the Federal Government can, as a practical matter——

Senator D'Amato. Walk away?

Mr. Ravich. Walk away by legislating Conrail out of the commuter service business. That would not necessarily leave us in any different economic position than we presently are because we would, in effect, be left with the same employees. But it is probably, that we, in order to have the ability to hopefully improve the efficiency of the railroad and prevent costs from going up, that we have the ability, at that point, because it will be funded only by the State and by the fare payers, themselves, that we be free to negotiate with them under the terms of New York State labor law.

### FEDERAL SUBSIDY FOR CONRAIL OPERATION

Senator D'Amato. What would you anticipate the cost, the Federal subsidy in operating the Conrail is how much at this time?

Mr. Ravich. Senator, there is no subsidy from the Federal Government to the Westchester commuter lines, other than the same section 5 operating subsidy that we have been talking about, generally.

Senator D'Amato. So it just would be a management, a direct management relationship?

Mr. Ravich. That is correct, Senator.

Senator D'Amato. There would be no additional cost burden vis-a-vis the transfer in and of itself?

Mr. Ravich. That's correct. Although there are several matters, like most things, it is complicated. I am not sure it is worth going into at this hearing, Senator, and I would be delighted to talk with you about this, as we have talked about other transit issues since you took office.

Conrail is presently funding inventory for us. There are certainly existing contractual relationships, so there are a lot of details that have to be worked out to accomplish this transfer. It cannot be done overnight and I am not sure that it is automatically desirable. It depends, as I say, upon the circumstances that would obtain at the time that the transfer were made.

Senator D'Amato. One last question, and I guess you maybe would have to be Houdini to answer this.

Best guess estimate, in terms of the possible enactment of your legislative program, what have your findings been, up to this point, in Albany, and with the Governor and with the leaders of the legislature, in terms of the possible adoption of the program that you have outlined this morning?

Mr. Ravich. Senator, you are asking me to describe what is going on in Albany, and I am speechless.

Senator D'Amato. As I said, you would have to be Houdini, maybe. I am not asking you about that which is going on now, because there are very few people, if anyone, who understands what is going on, even the participants to that debacle. But, coming back to your legislative program, what have your findings been, if any——

Mr. Ravich. I must say to you, Senator, in discussing this with the legislative leaders and the Governor and the mayor over the course of the last 4 years, I found that they all recognize the fundamental fact that it is unlikely, given the pressure and the competing demand for public resources, it is unlikely that the State is going to appropriate the kind of money that we need, and they recognize the need and, therefore, the MTA must be given the authority to borrow.

I hope very much that it will be ultimately enacted. I have confidence.

Senator D'AMATO. You are hopeful?

Mr. RAVICH. An eminent historian once said, "Government acts wisely, but only after it has exhausted all other alternatives," and it hasn't exhausted all other alternatives yet.

Senator D'AMATO. So you are hopeful a long way down the road?

Mr. RAVICH. Correct.

One concluding comment.

Senator D'AMATO. Yes.

### PROCEDURAL PROBLEMS DELAYING PROGRESS

Mr. RAVICH. In my meetings with the Secretary and the UMTA administrator, I am heartened by their recognition that the procedural problems have been a serious roadblock to the making of progress, both those that were legislatively mandated and those that were administratively mandated, and I am very, very heartened by the attitude of this administration toward these kinds of problems which will enable us to take the limited resources that are made available and use them at a much more rapid speed.

We just recently had the experience of seeking a letter of no prejudice with regard to additional buses being purchased for New York City Transit Authority, and I must applaud the administration's efforts and the whole staff at UMTA to get this to us in a timely fashion. This would not have happened as readily in the past. I hope very much, Senator, that when the administration proposes to the Congress changes in the law that affect process, that the Congress will pay as much attention to that as they do to the funding proposals, because there are two reasons why we can't spend money.

One, because there isn't enough of it appropriated, and two, because the number of approvals that are required by the multiplicity of governmental agencies and the redundancies in the process, are so great that the money never gets spent.

It is very important that you and your colleagues address yourselves to that problem as seriously as you do to the funding levels.

Senator D'AMATO. I thank you for your testimony and, in addition, for your cooperation and that of your staff in submitting to us the kinds of proposals that you have just outlined and mentioned, particularly with the elimination of some of the letters that we now have.

We are now going to take a 5-minute break and then we will proceed with the testimony.

Thank you, Mr. Chairman.

[A brief recess was taken.]

## Federal Reserve Bank

### STATEMENT OF ROGER M. KUBARYCH, VICE PRESIDENT AND ASSISTANT DIRECTOR OF RESEARCH, FEDERAL RESERVE BANK OF NEW YORK

### COSTS OF DETERIORATION IN NEW YORK SUBWAY SERVICES

Senator D'AMATO. Our next witness is Mr. Roger Kubarych from the Federal Reserve bank.

The Federal Reserve bank has done quite an exhaustive, or is in the process of doing a very revealing analysis, which I don't believe has been quite formalized yet, but which a great deal of study has gone into, Mr. Kubarych.

Mr. KUBARYCH. Senator, I am pleased to have this opportunity to be here today and to report on research now in progress at the Federal Reserve Bank of New York that seeks to estimate the economic costs of the recent deterioration in New York subway service.

### STUDY ON SUBWAY SERVICE COSTS

With your permission I would like to submit for the record a preliminary study on this issue by Daniel Chall, an economist in our regional research unit.

A version of his paper will be published in the next issue of our quarterly review—in the next few days, actually.

You might find it helpful to you to refer to this little chart, or number of tables in the back of his paper later on in the presentation.

Let me briefly highlight its main findings and implications.

Senator D'AMATO. The study will be inserted in the record at this point.

[The study follows:]

## PRELIMINARY STUDY ON THE ECONOMIC COSTS OF SUBWAY DETERIORATION

SUBMITTED BY DANIEL E. CHALL

The quality of service provided by the New York City subway system has declined sharply over the past year. Commuters have faced longer travel times, longer and more frequent delays, and more crowding. These and other elements of deteriorating service impose costs that are just as real as increases in taxes or in prices. Over time, commuters and firms will seek to avoid these costs in a variety of ways. If the burden is sufficiently large, people and companies may react by moving out of the city.

This article presents estimates of the size of economic costs caused by increased subway delays. The conclusion is that the aggregate cost imposed on New York commuters and firms is huge. A five-minute increase in the average length of each commuter ride may cost as much as $166 million annually. Moreover, unpredictability of travel time imposes further costs. If, at random, one morning and one evening trip each week are delayed by 25 minutes, the time loss is the same case, but the dollar costs may be twice as large. For the typical subway commuter, this is as burdensome as a doubling of city income tax rates. Quick and sweeping responses can be expected. In sum, even though it will take substantial infusions of capital and operating expenditures to get the system running properly, the costs of postponing improvements are enormous.

### Measuring the costs of lost time

There is no straightforward method of determining the amount of time lost by commuters from the many statistics generated by the New York City Transit Authority (see box 1). Nevertheless, it is possible to appreciate the magnitude of the costs caused by subway delays by considering two representative cases. The first assumes that the length of each ride increases by five minutes; this provides a way to measure the costs of extra time on the subway. The second case assumes that two twenty-five minute delays occur at random each week, one in the morning and one in the afternoon rush hour; this allows the cost of increased uncertainty to be measured, since the time lost each week is the same as in the daily five-minute delay case. For both cases, the values of time loss presented below are proportional to the length of the delays. If more precise information on time actually lost should become available, these estimates could easily be adjusted accordingly.

Even though five minutes per trip may not seem like very much, the immensity of the costs becomes apparent when the time losses are aggregated to a citywide annual total. For one million commuters, the aggregate time loss each week is over 800,000 hours, or 41 million hours per year.[1]

## Initial Costs of Subway Delays

The immediate impact of a sudden increase in travel time is that many commuters are late for work. For a while after the delays materialize, firms and commuters may continue to view the increased crowding and longer travel times as isolated episodes which have plagued the subway system from time to time. As a result, commuters may be slow to adjust their times of departure for work, and the lateness may persist for some time.

The reductions in output which result from this are substantial. Twenty-five minutes of lateness for each of one million commuters amounts to an aggregate cost of over 400,000 person-hours each week. Valuing this time at a wage rate of $8.00 per hour yields an estimate of the value of the lost output equal to $3.3 million.[2] Initially, the major portion of these initial costs may be borne by firms--a burden equal in magnitude to a 33 percent increase in the city corporation income tax.[3]

In addition to these costs, firms may suffer further output reductions which can be particularly burdensome if the delays are of random duration and frequency. Even firms which dock the pay of latecomers bear substantial costs as a result of the increase in subway delays. Valuing lost output at the wage rate does not account for short-run disruptions such as idle machine time or teams that are understaffed. The absence of even a single employee may be costly to firms working on rigid schedules, especially if the disruptions occur at random. For instance, the lateness of a secretary may reduce the productivity of one or more executives. Finally, a commuter arriving late for work after spending extra time in a crowded, motionless subway car is likely to be less productive on the job. None of these costs borne by firms are included in the estimates reported above, so even docking the wage of latecomers does not insulate firms from the costs of the subway decline. The result is that all firms have incentives to eliminate lateness, even if sanctions stricter than docking are required.

## Costs faced by commuters

As commuters are induced to leave earlier for work, they are forced to forego personal time which otherwise would be spent with their families, doing work around the house, or enjoying leisure activities. Putting a monetary value on that cut in living standards is difficult. But economists who have grappled with this problem have come up with estimates that people value foregone personal time at 25 percent of their hourly wage (see box 1). That means they would be prepared to pay up to that amount to hold onto an hour of personal time. Moreover, since commuting is inherently unpleasant, the cost to commuters of extra subway time is greater. The premium for this unpleasantness is assumed to be equal to 25 percent of the wage, indicating that commuters would pay that much more to avoid spending more time on the subway. Altogether, the costs of extra time on the subway then are assumed to be equal to 50 percent of the wage.

The amount of personal time which commuters must give up in order to avoid lateness depends on the uncertainty of transit performance. If the 25 minutes of morning delays were distributed uniformly and predictably throughout each week, any lateness could be avoided by leaving for work five minutes early every day. This loss of twenty-five minutes per week, valued at

50 percent of the average wage ($8.00) is a weekly cost equivalent to $1.67, or $83.00 per year. The aggregate cost of the morning delays in the predictable, five-minute delay case, then, is $83 million.

Alternatively, if there were only one random 25 minute morning delay per week, and firms indeed were able to eliminate lateness, then commuters would have to leave 25 minutes early for work every day. In this case, commuters lose 125 minutes of their own time each week, of which only 25 minutes are spent on the subways. The other 100 minutes are spent at or near the workplace on the four days out of five that there is no delay. Valuing the subway time at 50 percent of the wage and the rest at 25 percent of the wage, the total weekly cost to the typical commuter is $5.00 per week, or $250 per year. The aggregate cost to the one million commuters, then, is $250 million.[4]

These estimates of the costs imposed by morning delays tell only part of the story. In addition, commuters lose 25 minutes of afternoon leisure each week due to subway delays. This sums to 1250 minutes per year, and 1.25 billion minutes for the entire city. This extra time on the subway is valued at 50 percent of the wage, and represents an aggregate cost of $83 million, bringing the estimate of total costs to $333 million Since revenue from the city income tax is about $880 million and subway commuters comprise about 40 percent of the workforce, the subway delays impose a cost equal in size to a doubling of their city income tax bills.[5]

Another aspect of subway deterioration is the increase in the unpleasantness of commuting. As more trains lose lights, as crowding increases in cars and on platforms, and as subway service becomes more unreliable, each minute spent on the subway becomes a greater burden than before. This would be reflected in an increase in the "unpleasantness premium" above the currently estimated 25 percent of the wage.

## Economic Responses

When commuters perceive the higher travel costs as permanent or increasing, they inevitably will reevaluate many of the critical choices which affect their standard of living. For example, automobile commuting may begin to be more attractive, home locations nearer employment centers may become more desirable, and the benefits of moving to another city may appear more compelling. Whether or not commuters make these changes depends on the costs of switching to automobile use or of relocating, as compared to the magnitude of the costs of subway delays. If the latter are large enough, it would not be surprising to observe all of these responses.

The least expensive change may be to switch to off-peak commuting. Although this may not be an option for many commuters due to rigid family or business schedules, employees who can alter the length and timing of the work day can cut commuting costs considerably. On the one hand, intervals are longer between trains, so on average a small increase in waiting time on the platform must be incurred. On the other hand, subway cars and platforms are less crowded off-peak, so commuters would not have to let trains pass for lack of space. Further, travel times may be shorter as crowding-related delays are reduced. Moreover, while train cancellations would cause longer waits because of the longer intervals between trains, commuters would less likely be delayed by problems with trains up ahead.

The evidence does show some shift to earlier travel. The number of commuters entering the subways between 7 and 8 AM increased by 4.5 percent between March and October 1980, while subway use fell during each of the next two hours by 2 percent and 9.5 percent, respectively. This indicates a general tendency to leave earlier.

Another possible short-run response to the increased subway costs is to switch to automobile use. It is expensive to own and operate a car in New York, and it is inconceivable that many people would buy cars for the sole purpose of switching from subway commuting. However, even if automobile use increases by a small amount, the congestion costs may be significant. During 1980, when subway use fell by about 2 percent, automobile traffic into Manhattan rose by 3 percent. Since many facilities were already operating at capacity, speeds declined dramatically. For example, the average speed on Fifth Avenue fell by 26 percent in 1980 to 4.4 miles per hour. Further, parking facilities are limited in Manhattan, and it is unlikely that many more parked cars could be accommodated. Even so, if more commuters switch, higher costs will be imposed on existing drivers and bus riders. This means that the more affluent residents, who in the past were able to escape the costs of subway deterioration by paying the higher outlays for automobile commuting, would begin to share the burden of the decline.

### Long-term responses

It is unlikely that the actions described so far could succeed in avoiding the bulk of the costs imposed by subway delays. Thus, commuters and firms can be expected to take a variety of stronger measures to avoid the increased costs. These longer-run responses are more expensive, and affect all markets within the regional economy. To some extent, these actions merely shift costs from one group to another. However, firms and residents may leave the area, imposing severe long-run costs on the economy.

The effects of subway decline on the labor market, for example, may be substantial. Commuters who have some choice might prefer to work for firms which are located near their homes. Similarly, firms which depend on tight schedules might prefer that their employees live near the workplace. Advertisements in the New York *Times* specifying Manhattan residence as a requirement for employment have already begun to appear.

Where job changes are not possible, commuters will attempt to restore their standard of living by increasing their wage demands. Since employees with high-level skills are relatively scarce, mobile, and in demand everywhere, they may decide to relocate to other cities if a significantly higher standard of living is available. Thus, firms in New York City must meet these wage demands if they want to keep skilled employees. At the same time, however, low-wage earners may not receive comparable wage hikes, since their lesser mobility and greater abundance lower their bargaining position. Thus, the net benefits of working are likely to remain lower than before the subway decline.

Firms would not be equally affected by the increased wage demands. Most service-oriented industries and high-technology firms depend on high-skilled labor, so it is especially important to retain these employees. Firms must therefore pay wages sufficient to provide the standard of living available elsewhere, the size of the increase being proportional to the subway delays.

In many industries, therefore, the increase in the cost of labor would put New York firms at a competitive disadvantage with respect to the rest of the country. As a result, some firms and corporate headquarters may respond by leaving the city. Residents who did not receive their wage demands, and those whose employers moved away, also might relocate to another region. As mentioned, residents with scarce job skills have greater means and opportunities to move than lower-income persons, and their departure tends to make the city worse off for those who cannot.[6] The loss of economic activity and of higher-income residents lowers the tax base, bringing about a need for tax increases and/or service cutbacks.

Subway maintenance is, of course, one of the prime candidates for budget cutbacks. For years now, the city has opted to keep its subway fares and taxes low by deferring sorely needed subway maintenance. This postponed maintenance adds up to 30 years of disinvestment, according to Richard Ravitch, the director of the Metropolitan Transportation Authority. When governments are faced by difficult decisions, deferred maintenance is an appealing tactic since there may be no immediate reduction in service. Even as the city and state governments attempt to attract business by lowering taxes, though, the recent experience clearly shows that borrowing against the subway's physical capital stock may eventually impose costs that can overwhelm the tax reductions. The appealing tactic may actually be the most expensive in the *long run*.

Summary

This study has shown that:

- The subway deterioration has imposed huge costs to individuals in the form of lost time and to firms in the form of reduced productivity.
- The cost of a five-minute average increase in the average morning and afternoon ride may be as high as $166 million.
- If there are two 25 minute delays per week--one in the morning rush hour and one in the afternoon--the costs may be twice as high as for a five-minute increase in the average ride.
- Firms and commuters face other costs not included in these estimates.
- Individuals and businesses will try to avoid these costs in a variety of ways, including relocation outside of the region.

## Footnotes

1. It was necessary to estimate the number of city residents who use the subways to get to work. The 1970 census reported that there were 1.2 million subway commuters, and preliminary estimates by the Regional Plan Association and Tristate Regional Planning Commission show a 15 percent drop in commuting to the central business district.
2. In 1978, the average payroll per employee (excluding those workers who were self-employed or in the public sector) was $14,356, according to data in County Business Patterns. Dividing by 2080 hours, and inflating by 20 percent to cover the increase in wages between 1978 and 1980 yields $8.28. In 1970 the average family income of subway commuters was 96 percent of that of all employees. Assuming that the same relationship held in 1980, the average hourly earnings

of commuters would then have amounted to $7.95. Alternatively, average weekly earnings for covered employment in 1979 was $303.17 in New York City. Dividing by 40 hours and inflating to 1980 by 10 percent yields $8.34. The 4 percent subway correction yields $8.00.

3. The annual city corporation tax revenue is $500 million, and the cost of delays is borne at an annual rate of $166 million.
4. Here the assumptions interact in a critical way: Commuters must give up five minutes of personal time in order to save one minute of lateness, but the five minutes are valued at 25 percent of the wage. In this case, the total cost actually increases, but if either the frequency or the time valuation would change, the comparison would probably be different.
5. Moreover, city taxes are deductible against Federal tax liability, while commuting costs are not. Thus, the subway delays actually are substantially more burdensome than a doubling of city taxes, for commuters who itemize deductions.
6. A less drastic response would be to move closer to the employment centers. Since high-income persons value time savings more highly than the lower-income persons, they will provide the highest bids for housing in and near Manhattan. A result would be an increase in high-income conversion, displacing current residents.

## Box 1

The Transit Authority does not directly measure its success in getting commuters to work on time. Rather, it monitors adherence to schedules, counts incidents and conditions which disrupt service, and checks the status of the fleet. Disruptions affect travel times in complex ways, and there is no straightforward method of determining the impact on commuters. However, the system-oriented statistics do document the service decline.

For example, failure statistics indicate that the train breakdowns were 30 percent higher in 1980 than in the previous year, and 75 percent higher than in 1968. Even if one could estimate with confidence that half of the breakdowns took place during rush hours and that each train carried 1000 passengers, the resulting estimate of the impact on commuters would still ignore the effects on the following trains and would grossly underestimate time loss.

A more direct measure of lateness is given by the on-time ratio. A train is considered on time unless it completes a trip more than four minutes behind schedule. From September 1980 through March 1981, the rush-hour on-time ratio averaged about 80 percent, down from the 88 percent level in mid-1980. This reflects a 70 percent increase in lateness. However, trains cancelled at the terminal due to breakdowns on equipment shortages are not included in the fractions, and trains abandoned in mid-trip are considered on-time. Moreover, trains can run behind schedule within the business district, and still be considered on-time by making up lost time after most passengers have left the train. Multiplying the number of commuters by the lateness ratio (i.e., 1 minus the on-time ratio) would thus provide only an incomplete count of lateness of unspecified lengths.

Cancellations and abandonments are not counted separately for rush-hour by the Transit Authority. However, a related measure, rush-hour key-point performance, may be helpful in recording the difference between scheduled and actual arrivals at 35 major transfer points. This statistic reveals that no-shows increased from 12 percent to 18 percent of the rush-hour schedule in recent months. The minimum possible delay to commuters caused by an abandonment is equal to the "headway" (the interval between trains, averaging two to five minutes during rush hour). If passengers cannot fit on the next train the delay is much longer. These complications make it difficult to judge the impact on commuters, either in number or in length of time.

Finally, no single statistic can capture local trains which switch to express tracks, or the delays that are magnified as connections are missed, or the trains that are slowed as that last passenger fights the closing doors. The subway trip is a complex process, and many things can go wrong. Since the system-oriented statistics cannot capture the myriad of determinants of subway travel times, an sophisticated estimate of time losses must be as open to question as the naive assumption that the average commuter faces an extra 25 minutes per week in morning travel time. Although the latter course has been taken, the dollar estimates can easily incorporate any new information.

## Box 2

Although economists have long realized that travel time is an important cost affecting many consumer decisions, no simple rule of thumb has emerged for assigning a dollar value to the personal activities foregone while commuting. For many years, economists multiplied the wage rate by the number of hours traveled in order to value the time; however, Lowdon Wingo* showed that this method is inappropriate when commuters cannot freely choose the number of hours worked each day. A second complication was introduced by Gary Becker,** who specified a model which allowed commuting to be unpleasant per se. In order to determine the burden felt by an increase in subway delays, then, it is necessary to determine: 1) the value of the personal and family activities foregone because of commuting time, and 2) the value of the unpleasantness which must be endured.

A number of economists have tried to empirically ascertain the value commuters place on travel time by observing the time-money tradeoffs involved with travel-mode or auto-route choice. However, the information gained is to a large extent anecdotal. Automobile trips cannot be compared to subway trips; even mass transit systems vary greatly from city to city. As a result, the studies do not provide a consensus as to the value of time. However, many estimates lie between 25 and 50 percent of the wage. While none of these studies are very recent, though, and none involve New York subways, they do provide a basis for valuing subway commuting time.

The estimates presented in this article make the conservative assumption that people value their personal time at 25 percent of the wage, the lower end of the range. This applies to the time commuters spend at the workplace before working time. On the other hand, subway travel is unpleasant, and commuters would be willing to pay a premium to avoid the unpleasantness. For that reason, the time spent on the subway is assumed to impose a cost equal to 50 percent of the wage. The "unpleasantness premium", then, is 25 percent of the wage. This is reasonable, since there are many express bus riders who willingly pay significantly higher fares in order to buy improved amenities (including a seat).

It is evident that high-income persons place a higher value on time, since they are more willing to make outlays for taxis and airplane trips than are lower-income persons. It would be inappropriate, however, to use the estimates of the value of time presented here for interpersonal comparisons, since the true values may not be constant across income class or by any other demographic stratification. The only assumptions used in this research with respect to income distribution are that the dollar value of time losses are higher for high-income persons, and that high-income persons are more likely to respond strongly.

| Where time spent | Foregone activity | Value of foregone activity[a] | Unpleasantness premium[a] | Total Cost[a] |
|---|---|---|---|---|
| **Subway** | **work** | **100%** | **25%** | **125%** |
| **Subway** | **personal/family** | **25%** | **25%** | **50%** |
| **Office** | **personal/family** | **25%** | **--** | **25%** |

**a/ As a percentage of the wage rate.**

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Footnote, Box 2

* Wingo, Lowden, Jr. Transportation and Urban Land. Washington: Resources for the Future, Inc. 1961, pp. 52-62.

** Becker, Gary S. "A Theory of the Allocation of Time" Economic Journal, September 1965, pp. 493-517.

## Annual Direct Costs of Subway Delays
($ millions)

| | | Across-the-board 5 minute delays | | | 25 minute random delays- one morning, one afternoon per week | | |
|---|---|---|---|---|---|---|---|
| | | AM | PM | Total | AM | PM | Total |
| Leave normal time for work; arrive late | Borne by firms | 166 | 0 | 166 | 166 | 0 | 166 |
| | Borne by employees | 42 | 83 | 125 | 42 | 83 | 125 |
| | Total | 208 | 83 | 291 | 208 | 83 | 291 |
| | | AM | PM | Total | AM | PM | Total |
| Leave early for work; arrive on time | Borne by firms | 0 | 0 | 0 | 0 | 0 | 0 |
| | Borne by employees | 83 | 83 | 166 | 250 | 83 | 333 |
| | Total | 83 | 83 | 166 | 250 | 83 | 333 |

### RESULT OF DETERIORATION OF MASS TRANSIT SERVICE

Mr. KUBARYCH. New York's mass transit system is vitally important to the long-term economic position of the city and, indeed, the entire region. When service deteriorates markedly, as it has in recent months, and delays become longer and more frequent, real costs are imposed on both subway riders and businesses.

To subway riders those costs take the form of an unintended reduction in personal time—that is, time spent with their families, doing work in the home, or enjoying leisure activities. That represents a cut in their standard of living which is every bit as real as a cut in living standards resulting from higher prices or higher taxes.

To businesses, longer subway delays mean lower productivity as employees arrive late, work schedules are disrupted, and key personnel are unavailable. The fundamental cost of subway delays to firms is a loss of competitiveness.

The important point to bear in mind is that subway riders and businesses, faced with the economic costs of subway delays and poor service, will try to avoid these costs or pass them on. So, on their part, employers may get tougher in enforcing penalties for lateness, in effect attempting to pass the costs of subway delays back on to employees.

Commuters may try to compensate for the loss of real income they face by demanding higher wages and salaries. But in the end the great bulk of the costs has to be absorbed by someone, and New York businesses will inevitably become less profitable and less competitive.

If subway service becomes bad enough, the economic costs may get to be so large that subway riders and firms who have the flexibility to move may choose to leave the area altogether. The consequences for the regional economy and its tax base would clearly be severely damaging.

### ECONOMIC COSTS OF SUBWAY DECLINE

The natural question to ask is how large the economic costs of the subway decline are right now.

We can't say precisely because of two reasons. To begin with, the available information on the length and frequency of delays is insufficient to permit precise estimates of the time lost. In addition, there is no concensus among economists on the exact monetary value people typically put on their personal time. Nevertheless, based on assumptions that seem to us to be pretty reasonable, some rough estimates can be made to illustrate the magnitude of the problem.

We looked at two types of service deterioration.

The first is depicted by a 5-minute increase in each subway ride.

The second is a case in which there is considerably more uncertainty about travel time. In that case we assume two 25-minute delays occur at random each week, one in the morning rush hour and one in the afternoon rush hour. Drawing on the findings of other economists, we assume that on average individuals view the cost of losing 1 hour of personal time as equivalent to one-fourth their hourly wage.

In other words, they would be willing to pay up to a quarter of their hourly wage to hold onto an additional hour of personal time—what is often mistakenly called free time. We suppose that because of crowding, noise, and dirt in the subway, the average rider would pay twice as much to avoid having to spend the additional time on the subway. We think these are conservative estimates.

### TYPES OF DELAYS AND THOSE BEARING COSTS

The results depend on who bears the costs and the type of delay.

First, suppose that there is an across-the-board, 5-minute increase in each rush hour trip and business firms absorb the costs of morning delays by letting employees come in late. Then business output would go down by at least $165 million annually.

On top of that, employees would face the burden of longer subway rides, and they would get home 5 minutes late every evening. These costs would amount to about $125 million annually.

Second, since businesses are not going to tolerate that drop in output indefinitely, subway riders would eventually have to leave home earlier and absorb the full costs of delay, both morning and afternoon. Those costs would total about $165 million—better for the firm, but worse for the rider.

Third, unpredictability of service imposes even larger costs. If one morning and one afternoon commuting trip a week is delayed at random by 25 minutes, subway riders would have to make major changes in their schedules and leave home much earlier to avoid being late to work. Thus, the economic costs to them may total as much as $330 million a year.

Finally, for the average subway rider, random delays of that magnitude would represent a fall in real income as great as if city income tax rates were doubled.

### EFFECT OF SUBWAY DETERIORATION ON LOCAL AND REGIONAL ECONOMY

Of course, the true costs involved could be more or less than these rough estimates, depending on what the actual experience with subway delays turns out to be. But put in these terms, we begin to see how staggering a burden the deterioration of the subway system is on the local and regional economy. And these estimates do not give the whole story, because they measure only part of the disruption and loss of production that may be suffered by local businesses.

In sum, the erosion of subway service is like a tax—a tax on the supply side of the New York regional economy. However, it is a uniquely perverse tax because there are no obvious beneficiaries and no revenues to spend or to use in balancing the budget. It is a dead weight on the area's productive potential. And it is hard to see how the regional economy can achieve a lasting recovery until that dead weight is lifted through improved maintenance and remedial investment.

Thank you.

Senator D'AMATO. I want to commend you and the bank for an outstanding report.

I would only hope that those who say how much they are for saving the city and how important it is for the region, to the Nation, would begin to wake up to the realities and I think the great dangers that exist at the present time.

If this system is allowed to continue to deteriorate, why, I think the end result will be disastrous. Indeed, some of the commission studies that were made by the outgoing administration, in terms of the Northeast, will come true, and you will have an exodus of people and maybe even the productive ends of our society, as we have known them in this area, will be totally destroyed.

So I hope there will be those who will take to heart this economic costs study made by the bank and I look forward to its being published and hopefully widely circulated so that we can begin to get the business community and the leaders and the political process involved as quickly as possible.

Thank you very much.

Mr. KUBARYCH. Thank you very much, sir.

Senator D'AMATO. Leonard Ronis, who is the president of the American Public Transportation Association.

Mr. Ronis comes from Cleveland and we are delighted to have him with us.

## AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

### STATEMENT OF LEONARD RONIS, PRESIDENT, AMERICAN PUBLIC TRANSPORTATION ASSOCIATION

### ACCOMPANIED BY JOHN H. INGRAM, CHIEF, GOVERNMENT AFFAIRS

### PUBLIC TRANSIT ASSISTANCE IN IMPROVING ECONOMY

Mr. RONIS. Good morning, Senator, and thank you for the opportunity to appear before this distinguished panel.

Chairman D'Amato, you have already established yourself with your colleagues in Congress as a leader in the transit field and we applaud your decision to hold this important hearing.

I am Leonard Ronis, general manager of the Greater Cleveland Regional Transit Authority, serving nearly 2 million people with an extensive bus and rail rapid transit system in Cuyohoga County.

I am here this morning as president of the American Public Transit Association—APTA.

Accompanying me is Mr. John H. Ingram, our chief of government affairs.

For the record, Senator, APTA is the national organization representing the urban transit industry.

Our members total more than 350 motor bus and rapid rail transit systems, the organizations responsible for planning, designing, constructing, financing, and operating transit systems.

In addition, our members include business organizations which supply products and services to the urban transit industry, academic institutions, and public interest groups; 95 percent of those persons using urban transit in the United States are carried by APTA members.

### ECONOMIC VALUES OF PUBLIC TRANSIT

Mr. Chairman, President Reagan has a clear mandate from the American people to solve the problems of energy and inflation and to improve the Nation's economic well-being. The transit industry firmly believes that public transit can assist in achieving those objectives.

As we search for ways to cut costs, curb inflation, and increase productivity, we must not forget the overwhelming national interests in a strong Federal transit program. Public transit is an essential element in the Nation's drive to conserve energy and to reduce dependence on foreign oil. It is the most cost effective way of moving people to and from work and the only transportation alternative available to millions of citizens as the cost of driving and owning a private auto soars.

Public transit stimulates business and residential development in cities in a way that not only boosts the economy and employment now but also creates an environmentally sound and energy-efficient legacy for generations.

In short, continued Federal financial assistance for public transit as one element of a partnership between all levels of government and the public will contribute directly and immediately to the solution of the Nation's current economic problem and will lay the foundation for future economic progress.

### MAIN ASPECTS OF FEDERAL TRANSIT PROGRAM

The Federal interest in mass transit started in 1961 and has been enlarged and extended in subsequent acts in 1964, 1968, 1969, 1974, and 1978. These laws have passed with broad bipartisan support and have been sponsored and signed by five Presidents and those parties.

Mr. Chairman, there are three main aspects of the Federal transit program that I will address today: The operating assistance program, the capital program, and regulations.

### OPERATING ASSISTANCE PROGRAM

First, let's deal with operating assistance.

The administration has proposed eliminating operating assistance by 1985. Small urban and rural operating aid could be terminated earlier as available funds are channeled toward large, existing systems.

APTA is thoroughly committed to the continuation of the transit operating assistance program. Equitable changes should be developed in that program, however, to insure that assistance is consistent with transit services rendered to the public while still providing needed support to small and emerging transit systems.

I would support Mr. Ravich's statement about the fact that New York City and New York State have literally been cheated by the kind of format that has existed, which is based only on population and population density, rather than on services provided, and APTA would support a formula for operating assistance that would reflect the amount of service being rendered in a particular community.

Mr. Chairman, the most crucial element in this discussion is the point that public transit is a critical public service. As citizens, we have established a policy that transit, like police, fire, sanitation, and schools, is a necessity for all of our citizens, a service to be provided for the common good.

That transit happens to generate some income through the farebox, has led to confusion among the public and I am afraid among some public officials, that transit should operate with the income it generates.

Yet, when Congress established the operating assistance program in 1974, it was for the express purpose of keeping fares low, expanding service and increasing ridership. Congress recognized that our national interest lay in providing mobility through a cost effective, energy efficient transportation alternative. And this has been successful. Transit ridership has increased every year since 1974.

Also, the costs of operating this vital public service have risen greatly during the past several years.

Labor costs, which account for nearly 80 percent of transit operating budgets have risen, like wages, in every other American industry. But unlike private industry, transit grants bring with them Federal and State regulations which sometimes hamper transit's ability to win contract provisions that would control costs and increase productivity.

Fuel costs have put transit in a double bind. Because of diesel fuel to run the Nation's bus systems has tripled since 1976. I would add to that, it has increased tenfold since the end of 1973, and supplies have become uncertain with growing dependence on foreign oil.

As our country becomes more energy conscious, citizens are switching from their private automobiles to transit and the Nation's buses are burning more diesel fuel purchased at higher prices.

Maintenance costs are also increasing as equipment with features mandated by Federal rules become more complex and more expensive to keep running.

## PREPARED STATEMENT

Senator D'AMATO. I am wondering if I might ask you to summarize because I notice that your report goes into great details, your remarks, and I will order them to be placed in the record in toto. If you could touch on those points that you think are most important, I will ask that your remarks be submitted for the record, in total.

Mr. RONIS. All right.

[The report follows:]

## PREPARED STATEMENT OF LEONARD RONIS, PRESIDENT

**american public transit association**

GOOD MORNING, SENATOR. THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE THIS DISTINGUISHED PANEL. CHAIRMAN D'AMATO, YOU HAVE ALREADY ESTABLISHED YOURSELF WITH YOUR COLLEAGUES IN CONGRESS AS A LEADER IN THE TRANSIT FIELD, AND WE APPLAUD YOUR DECISION TO HOLD THIS VERY IMPORTANT HEARING.

I AM LEONARD RONIS, GENERAL MANAGER OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY, SERVING NEARLY TWO MILLION PEOPLE WITH OUR EXTENSIVE BUS AND RAIL RAPID TRANSIT SYSTEM.

I AM HERE THIS MORNING AS PRESIDENT OF THE AMERICAN PUBLIC TRANSIT ASSOCIATION (APTA). ACCOMPANYING ME IS MR. JOHN H. INGRAM, OUR CHIEF OF GOVERNMENT AFFAIRS.

FOR THE RECORD, SENATOR, APTA IS THE NATIONAL ORGANIZATION REPRESENTING THE URBAN TRANSIT INDUSTRY. OUR MEMBERS TOTAL MORE THAN 350 MOTOR BUS AND RAPID RAIL TRANSIT SYSTEMS, THE ORGANIZATIONS RESPONSIBLE FOR PLANNING, DESIGNING, CONSTRUCTING, FINANCING, AND OPERATING TRANSIT SYSTEMS. IN ADDITION, OUR MEMBERS INCLUDE BUSINESS ORGANIZATIONS WHICH SUPPLY PRODUCTS AND SERVICES TO THE URBAN TRANSIT INDUSTRY, ACADEMIC INSTITUTIONS, AND PUBLIC INTEREST GROUPS. NINETY-FIVE PERCENT OF THOSE USING URBAN PUBLIC TRANSIT IN THE U.S. ARE CARRIED BY APTA MEMBERS.

MR. CHAIRMAN, PRESIDENT REAGAN HAS A CLEAR MANDATE FROM THE AMERICAN PEOPLE TO SOLVE THE PROBLEMS OF ENERGY AND INFLATION AND TO IMPROVE THE NATION'S ECONOMIC WELL BEING. THE TRANSIT INDUSTRY FIRMLY BELIEVES THAT PUBLIC TRANSIT CAN ASSIST IN ACHIEVING THOSE OBJECTIVES.

AS WE SEARCH FOR WAYS TO CUT COSTS, CURB INFLATION, AND INCREASE PRODUCTIVITY, WE MUST NOT FORGET THE OVERWHELMING NATIONAL INTEREST IN A STRONG FEDERAL TRANSIT PROGRAM. PUBLIC TRANSIT IS AN ESSENTIAL ELEMENT IN THE NATION'S DRIVE TO CONSERVE ENERGY AND REDUCE DEPENDENCE ON FOREIGN OIL. IT IS THE MOST COST-EFFECTIVE WAY OF MOVING PEOPLE TO AND FROM WORK AND THE ONLY TRANSPORTATION ALTERNATIVE AVAILABLE TO MILLIONS OF CITIZENS AS THE COST OF DRIVING AND OWNING A PRIVATE AUTO SOARS.

Public transit stimulates business and residential development in cities in a way that not only boosts the economy and employment now, but also creates an environmentally sound and energy-efficient legacy for generations. In short, continued Federal financial assistance for public transit as one element of a partnership between all levels of government and the public will contribute directly and immediately to the solution of a nation's current economic problems and will lay the foundation for future economic progress.

The Federal interest in mass transit started in 1961, and has been enlarged and expanded in subsequent Acts in 1964, 1968, 1970, 1974, and 1978. These laws have passed with broad bipartisan support and have been sponsored and signed by five Presidents of both parties.

Mr. Chairman, there are three main areas of the Federal transit program that I will address today: the operating assistance program, the capital program, and regulations.

## OPERATING ASSISTANCE

The Administration has proposed eliminating operating assistance by 1985. Small urban and rural operating aid could be terminated earlier as available funds are channeled toward large, existing systems.

APTA is thoroughly committed to the continuation of the transit operating assistance program. Equitable changes should be developed in that program, however, to ensure that assistance is consistent with transit service rendered to the public while still providing needed support to small and emerging transit systems.

Mr. Chairman, the most crucial element in this discussion is the point that public transit is a critical public service. As citizens, we have established a policy that transit, like police, fire, sanitation, and schools, is a necessity for all our citizens, a service to be provided for the common good.

That transit happens to generate income through the farebox has led to confusion among the public and, I'm afraid, among politicians, that transit should operate with the income it generates.

YET WHEN CONGRESS ESTABLISHED THE OPERATING ASSISTANCE PROGRAM IN 1974, IT WAS FOR THE EXPRESS PURPOSE OF KEEPING FARES LOW, EXPANDING SERVICE, AND INCREASING RIDERSHIP. CONGRESS RECOGNIZED THAT OUR NATIONAL INTEREST LAY IN PROVIDING MOBILITY THROUGH A COST-EFFECTIVE, ENERGY-EFFICIENT TRANSPORTATION ALTERNATIVE.

THE COSTS OF OPERATING THIS VITAL PUBLIC SERVICE HAVE RISEN ASTRONOMICALLY DURING THE PAST SEVERAL YEARS:

--LABOR COSTS, WHICH ACCOUNT FOR NEARLY 80 PERCENT OF TRANSIT OPERATING BUDGETS, HAVE RISEN LIKE WAGES IN EVERY OTHER AMERICAN INDUSTRY. BUT UNLIKE PRIVATE INDUSTRY, TRANSIT FACES FEDERAL AND STATE REGULATIONS WHICH SOMESTIMES HAMPER OUR ABILITY TO WIN CONTRACT PROVISIONS THAT WOULD CONTROL COSTS AND INCREASE PRODUCTIVITY;

--FUEL COSTS HAVE PUT TRANSIT IN A DOUBLE BIND. THE COST OF DIESEL FUEL TO RUN THE NATION'S BUS SYSTEMS HAS TRIPLED SINCE 1976, AND SUPPLIES HAVE BECOME UNCERTAIN WITH GROWING DEPENDENCE ON FOREIGN OIL. AS OUR COUNTRY BECOMES MORE ENERGY CONSCIOUS, CITIZENS ARE SWITCHING FROM THEIR PRIVATE AUTOMOBILES TO TRANSIT, AND THE NATION'S BUSES ARE BURNING MORE DIESEL FUEL, PURCHASED AT HIGHER PRICES;

--MAINTENANCE COSTS ARE INCREASING AS EQUIPMENT--MANDATED BY FEDERAL RULES--BECOMES MORE COMPLEX AND MORE EXPENSIVE TO KEEP IN GOOD RUNNING ORDER.

STILL, OPERATING COSTS CONTINUE TO BE COVERED PRIMARILY THROUGH FAREBOX REVENUES AND STATE AND LOCAL FUNDING. NATIONALLY, FEDERAL OPERATING ASSISTANCE COVERS ABOUT 13 PERCENT OF TRANSIT'S OPERATING BUDGET.

NOW, THE ADMINISTRATION IS ASKING STATE AND LOCAL GOVERNMENTS TO PICK UP THE FEDERAL GOVERNMENT'S SHARE OF TRANSIT OPERATING ASSISTANCE. THEY MAY BE ASKING THE IMPOSSIBLE. IN MANY AREAS, THE STATE AND LOCAL GOVERNMENTS ARE ALREADY CONTRIBUTING THE MAXIMUM AMOUNT POSSIBLE TO ALL THEIR VITAL PUBLIC SERVICES.

WHAT WILL HAPPEN WITHOUT FEDERAL OPERATING ASSISTANCE FOR TRANSIT? SERVICE WILL BE REDUCED, FARES WILL RAISE AN AVERAGE OF 40 PERCENT, AND RIDERSHIP WILL DROP.

IT WILL BE A TRAGIC STEP BACKWARD FROM THE PROGRESS WE HAVE MADE IN MEETING THE CONGRESSIONAL GOALS TO EXPAND SERVICE, MAINTAIN FARES, AND INCREASE RIDERSHIP.

MR. CHAIRMAN, I URGE YOU TO SUPPORT CONTINUED FEDERAL OPERATING ASSISTANCE PROGRAMS FOR TRANSIT SO THAT WE CAN KEEP THE BUSES AND TRAINS RUNNING FOR OUR FELLOW CITIZENS, SO THAT WE CAN PROVIDE THE MECHANICS AND THE PARTS TO MAINTAIN OUR EXISTING SYSTEMS, AND SO THAT WE CAN CONTINUE TO EXPAND TRANSIT SERVICE IN APPROPRIATE WAYS THROUGHOUT THE COUNTRY.

NON-URBAN FORMULA GRANTS HAVE BECOME QUITE AN EFFECTIVE COMPONENT IN THIS NATION'S EFFORTS TO EXPAND TRANSIT USAGE. APTA REMAINS COMMITTED TO THE CONTINUATION OF THIS PROGRAM AND IS CONCERNED ABOUT BOTH THE LEVEL OF UNOBLIGATED FUNDS BEING CARRIED OVER FROM FY 1981 ($25 MILLION) AND THE RECOMMENDED REDUCTION PROPOSED BY THE ADMINISTRATION IN FY 1982 ($20 MILLION). THIS PROGRAM HAS BEEN STRONGLY SUPPORTED BY SUCH STATES AS COLORADO, MASSACHUSETTS, ILLINOIS, MINNESOTA, WISCONSIN, OREGON, VIRGINIA, INDIANA AND VERMONT.

## CAPITAL ASSISTANCE

THE ADMINISTRATION HAS PROPOSED THAT THE TRANSIT CAPITAL PROGRAM BE CUT BY APPROXIMATELY $5 BILLION DURING THE NEXT FIVE YEARS. ALTHOUGH REHABILITATION AND MODERNIZATION OF EXISTING BUS AND RAIL TRANSIT SYSTEMS HAS WON SOME SUPPORT, THE ADMINISTRATION PROPOSES TO END FEDERAL FINANCING FOR NEW RAIL SYSTEMS AND THE PLANNING AND ENGINEERING ASSOCIATED WITH THEM. ADDITIONALLY, THE DOWNTOWN PEOPLE MOVER AND URBAN INITIATIVES PROGRAMS WOULD END.

APTA OPPOSES CUTS IN THE CAPITAL PROGRAM. WE COMMEND THE ADMINISTRATION FOR ITS RECOGNITION OF THE NEED FOR MODERNIZATION OF EXISTING TRANSIT SYSTEMS. HOWEVER, NEW RAIL CONSTRUCTION UNDER WAY MUST CONTINUE TO COMPLETION.

WHILE THE NATION'S CURRENT ECONOMIC CONDITION MAY REQUIRE DEFERRAL OF SOME CAPITAL EXPENDITURES, IT IS URGENT THAT PRELIMINARY ENGINEERING AND PLANNING FOR NEW RAIL SYSTEMS AND EXTENTIONS CONTINUE. THE PRESIDENT PROPOSES TO REDUCE BY $16 MILLION FUNDING FOR PLANNING AND TECHNICAL STUDIES. CONSIDERING THAT

FORMER PRESIDENT CARTER HAD INCLUDED $50 MILLION IN HIS BUDGET FOR PRELIMINARY ENGINEERING FOR LOS ANGELES, DETROIT, HOUSTON AND IN HAWAII AND CALIFORNIA, APTA URGES THIS SUBCOMMITTEE TO RESTORE THE RECOMMENDED REDUCTIONS SO THAT WE DO NOT BECOME PENNY-WISE AND POUND FOOLISH. AFTERALL, THIS ADMINISTRATION CONSTANTLY VOICES ITS SUPPORT FOR "COST-EFFECTIVE EXPENDITURES OF FEDERAL REVENUES." BY REFUSING TO FUND ALTERNATIVES ANALYSIS, THE FEDERAL GOVERNMENT WILL HAVE GREAT DIFFICULTY DOCUMENTING WHAT IS TRULY COST EFFECTIVE.

MR. CHAIRMAN, FUNDS APPROPRIATED FOR INTERSTATE TRANSFER SUBSTITUTION PROJECTS HAVE HISTORICALLY FALLEN BEHIND LEVELS NECESSARY TO KEEP PROJECTS MOVING ONCE THE DECISION WAS MADE TO WITHDRAW INTERSTATE SEGMENTS. THERE WILL SOON BE AN $8.5 BILLION BACKLOG IN SUBSTITUTE PROJECT APPROPRIATIONS. THOUGH APTA APPLAUDS THE RECOMMENDATION OF THE ADMINISTRATION TO FUND SUBSTITUTE PROJECTS INVOLVING HIGHWAYS FROM THE HIGHWAY TRUST FUND, WE URGE THIS COMMITTEE TO CONTINUE FUNDING TRANSIT SUBSTITUTE PROJECTS AT LEVELS COMPARABLE IF NOT HIGHER THAN THOSE OF THE PAST.

WITH THE INTERSTATE TRANSFER PROGRAM, CITIES HAVE THE OPPORTUNITY TO PLAN THE MOST EFFICIENT TRANSPORTATION SYSTEM FOR THEIR AREA, USING THE BEST COMBINATION OF TRANSIT, INTERSTATE, AND OTHER HIGHWAYS TO MOVE THE MOST PEOPLE AT THE LEAST COST. GROWING APPROPRIATIONS FOR THE INTERSTATE TRANSFER PROGRAM ADD TO A REGION'S ABILITY TO COMBINE FEDERAL, STATE, LOCAL, AND PRIVATE FUNDING MOST EFFECTIVELY.

BY THE WAY, MR. CHAIRMAN, I'M SURE YOU'RE AWARE THAT YOUR COLLEAGUES ON THE HOUSE APPROPRIATIONS TRANSPORTATION SUBCOMMITTEE HAVE ALREADY COMPLETED MARK-UP ON THE ADMINISTRATION'S FISCAL YEAR 1981 BUDGET.

BY SIMPLY RE-ARRANGING THE ADMINISTRATION'S PROPOSAL, THE HOUSE PANEL HAS MET THE CRUCIAL NEEDS OF CITIES PLANNING TRANSIT PROJECTS IN CONNECTION WITH THE URBAN INITIATIVES, INTERSTATE TRANSFER, DOWNTOWN PEOPLE MOVER, OR NEW RAIL STARTS PROGRAMS. WE COMMEND THEIR ACTIONS.

## REGULATION

THE ADMINISTRATION HAS PROPOSED SIGNIFICANT REGULATORY REFORM FOR TRANSIT, PARTICULAR INTERST HAS BEEN EXPRESSED IN CHANGING RULES RELATED TO ELDERLY AND HANDICAPPED TRANSPORTATION, PUBLIC HEARINGS AND A MAINTENANCE PROPOSAL.

APTA COMMENDS THE PRESIDENT ON HIS BOLD STEPS TO IMPROVE EFFICIENCY THROUGH THE ELIMINATION OF UNNECESSARY AND COSTLY REGULATION. APTA SUPPORTS THE APPLICATION OF STRICT COST-BENEFIT ANALYSIS DOCUMENTING THE IMPACT OF NEW RULES.

AS YOU ARE AWARE, IF THE FEDERAL DEPARTMENT OF TRANSPORTATION WOULD ONLY WORK WITH OUR INDUSTRY ONCE A POTENTIAL REGULATORY NEED IS IDENTIFIED, THAT AGENCY MIGHT WELL FIND THAT THE GOALS OF A REGULATION ARE ALREADY BEING ACCOMPLISHED WITHOUT SPECIFIC FEDERAL OVERSIGHT.

IF WE HAD SUBJECTED THAT CURRENT SECTION 504 REGULATION ON HANDICAPPED ACCESSIBILITY TO A STRICT COST-BENEFIT ANALYSIS DOCUMENTING THE IMPACT ON OUR INDUSTRY IN TERMS OF FINANCIAL RESOURCES, STAFF TIME AND PAPERWORK, I DOUBT THAT WE WOULD HAVE SEEN THE NECESSITY OF USING THE APPROPRIATION ACT AS A VEHICLE TO SEEK RELIEF -- AS THE HOUSE DID IN SECTION 323 OF THE DOT APPROPRIATION ACT.

MR. CHAIRMAN, UNLESS THE COURTS OR THE ADMINISTRATION MOVE TO PROVIDE RELIEF ON THIS CURRENT RULE, APTA WILL URGE YOU TO RESTRICT THE DEPARTMENT'S FY 1982 FUNDS FROM BEING USED TO ENFORCE THIS ONEROUS REGULATION. I MUST REMIND THIS COMMITTEE, HOWEVER, THAT EVEN "LOCAL OPTIONS" IN LIEU OF THE CURRENT 504 REGULATION WILL CARRY SIGNIFICANT COSTS. THUS OUR CONCERNS FOR RELIEF ARE NOT SOLELY FINANCIAL BUT ALSO INCLUDE OUR OVERALL DESIRE FOR REASONABILITY.

MR. CHAIRMAN, I READ WITH CONSIDERABLE INTEREST THE RECENT ARTICLE FROM THE NEW YORK TIMES ON APRIL 5TH ENTITLED: "TRANSIT DECLINE POSES A THREAT TO JOBS IN CITY". THOUGH THE ARTICLE WAS NEW YORK ORIENTED, THIS SCENARIO IS NOT NECESSARILY UNIQUE TO NEW YORK.

BUSINESS NEEDS, AND DOES SUPPORT, MASS TRANSIT. TRANSIT MEANS JOBS; IT MEANS ACCESS TO WORKERS AND CUSTOMERS; IT MEANS MAJOR BUSINESS INVESTMENTS IN OUR NEW URBAN CENTERS AND THE REVITALIZATION OF OUR DOWNTOWNS.

I'M GLAD WE'VE HEARD ABOUT THE FEDERAL RESERVE BANK OF NEW YORK STUDY ON THE IMPACT ON THE ECONOMY OF MASS TRANSIT. IF I MIGHT MAKE A PREDICTION, I WOULD TELL THE GENTLEMEN FROM THE FEDERAL RESERVE BANK THAT THEY'LL DISCOVER TRANSIT MEANS BUSINESS.

TRANSIT MEANS BUSINESS WHEN WE DELIVER A SIGNIFICANT PORTION OF CENTER CITY EMPLOYEES TO THEIR JOBS. IN CHICAGO AND NEW YORK, ABOUT EIGHT OUT OF

TEN CENTER CITY WORKERS USE TRANSIT. IN CLEVELAND, SEATTLE, AND PORTLAND, ABOUT HALF THE CENTER CITY WORKERS DEPEND ON TRANSIT. EVEN IN A SMALL CITY LIKE MADISON, WIS., 30 PERCENT OF COMMUTERS BOUND FOR DOWNTOWN JOBS TRAVEL BY TRANSIT.

TRANSIT MEANS BUSINESS WHEN WE DELIVER CUSTOMERS TO RETAIL STORES. IN PORTLAND, J. C. PENNEY'S ESTIMATES 60 PERCENT OF ITS CUSTOMERS ARRIVE BY BUS. THE MOST RECENT DEMONSTRATION OF JUST HOW HEAVILY BUSINESS DEPENDS ON TRANSIT CAME IN PHILADELPHIA, WHERE A 19-DAY TRANSIT STRIKE SENT RETAIL SALES PLUNGING BY 40 PERCENT. AND, A LAWSUIT FILED BY NEW YORK CITY BUSINESSMEN SEEKS $50 MILLION IN DAMAGES FROM THE TRANSIT UNIONS FOR EVERY DAY OF THE 11-DAY STRIKE HERE LAST YEAR.

TRANSIT MEANS BUSINESS BUSINESS WHEN THE LOCATION OF TRANSIT LINES SPARKS ORDERLY DEVELOPMENT, AS IT'S DOING IN SAN FRANCISCO, ATLANTA, MIAMI, AND WASHINGTON, D.C. AND AS IT DID IN CLEVELAND WHERE THE SHAKER RAPID TRANSIT LINE WAS BUILT AROUND THE TURN OF THE CENTURY BY DEVELOPERSTO ENCOURAGE SALES IN THEIR NEW HOUSING DEVELOPMENT. ONE PORTLAND REAL ESTATE FIRM ESTIMATES THAT LAND VALUES ARE NEARLY $3 PER SQUARE FOOT HIGHER WHEN PROPERTY IS LOCATED NEAR THE LIGHT RAIL CORRIDOR UNDER CONSTRUCTION.

THE FEDERAL CITY COUNCIL IN WASHINGTON, D.C., PREDICTS THAT BY 1985, CLOSE TO $50 MILLION IN NEW LOCAL TAX REVENUES--EXCLUDING INCOME TAXES--MAY BE EXPECTED AS A RESULT OF THE CITY'S METRORAIL-PELATED DEVELOPMENT. ALREADY, WASHINGTON METRO HAS STIMULATED NEARLY $1 BILLION IN PRIVATE DEVELOPMENTS, AND ANOTHER $5 BILLION IS EXPECTED BEFORE THE SYSTEM IS COMPLETED. THE VALUE OF LAND NEAR METRORAIL STATIONS HAS CLIMBED $2 BILLION SINCE THE SYSTEM OPENED IN 1976.

DEVELOPERS THROUGHOUT THE COUNTRY CITE TRANSIT'S AVAILABILITY IN PROJECTS. THE NEW YORK DEVELOPMENT FIRM OF HELMSLEY-SPEAR, FOR EXAMPLE, ESTIMATES THAT 85 PERCENT OF ITS LOCATION DECISIONS ARE BASED ON PROXIMITY TO TRANSIT.

TRANSIT MEANS BUSINESS WHEN WE ENCOURAGE PRIVATE AUTOMOBILE DRIVERS TO SWITCH TO PUBLIC TRANSIT, SAVING PRECIOUS FUEL AND HELPING THE FIGHT AGAINST INFLATION. A RECENT STUDY OF ENERGY USE FOUND A NEW YORK AUTOMOBILE COMMUTER GOING 35 MILES FROM LONG ISLAND TO MANHATTAN USES AS MUCH ENERGY IN FOUR YEARS AS A TRANSIT RIDER USED IN 40.

TRANSIT MEANS BUSINESS WHEN THE PROVISION OF OUR SERVICE CONTRUBUTES TO CLEANER AIR, LESS TRAFFIC CONGESTION, AND URBAN DEVELOPMENT. THE TRANSIT MALLS IN PORTLAND, DENVER AND LONG BEACH ARE ANCHORS FOR URBAN REDEVELOPMENT THERE.

TRANSIT MEANS BUSINESS FOR A GROWING AMERICAN TRANSIT SUPPLY INDUSTRY, PROVIDING JOBS AND SECURITY FOR AMERICAN WORKERS WHILE WORKING CLOSELY WITH FOREIGN SUPPLIERS TO ENSURE THAT THE BEST PRODUCTS ARE AVAILABLE FOR EVERY NEED. MANY OF THOSE FIRMS ARE YOUR CONSTITUENTS, SENATOR, AS YOU CAN TELL BY THE LIST IN MY WRITTEN STATEMENT.

- ALMAC PLASTICS of Brooklyn
- ASEA, INC. of White Plains
- ATHOL MANUFACTURING CORPORATION of New York
- AUTELCA LTD. of New York
- CARRIER-TRANSICOLD COMPANY of Syracuse
- L.K. COMSTOCK & COMPANY of New York
- De LOREAN MOTOR COMPANY of New York
- DINO & ARTIE'S AUTOMATIC TRANSMISSION COMPANY of Croton Falls
- THE O.M. EDWARDS COMPANY of Syracuse
- GENERAL RAILWAY SIGNAL of Rochester
- NEW YORK AIR BRAKE COMPANY of Watertown
- PEREY MANUFACTURING COMPANY of New York
- RIGIDIZED METALS CORPORATION of Buffalo
- SUMITOMO CORPORATION OF AMERICA of New York
- TRANSCONTROL CORPORATION of Melville
- FISCHBACH & MOORE, INC. of New York
- NAB CONSTRUCTION CORPORATION of College Point
- PENTA CONSTRUCTION CORPORATION of Syosset
- MICHAEL BAKER, JR., INC., of New York
- BLAUVELT ENGINEERING COMPANY of New York
- THE FIRST BOSTON CORPORATION of New York
- GIBBS & HILL, INC. of New York
- IFFLAND KAVANAGH WATERBURY of New York
- HAROLD J. McLAUGHLIN ASSOCIATES of Floral Park
- MERRILL LYNCH WHITE WELD of New York
- PARSONS, BRINKERHOFF, QUADE & DOUGLAS, INC. of New York
- PEAT, MARWICK, MITCHELL & CO. of New York
- STONE & WEBSTER ENGINEERING CORPORATION of New York
- STORCH ENGINEERS of New York
- TIPPETTS-ABBETT-McCARTHY-STRATTON of New York
- TRANSIT & TUNNEL CONSULTANTS, INC. of Buffalo
- URBAN ENGINEERS, INC. of Buffalo
- URS COMPANY, INC. of New York
- WINSTON NETWORK INC. of New York
- NEW YORK SUBWAYS ADVERTISING CO., INC. of New York
- RAILWAY AGE of New York

IN CITY AFTER CITY, TRANSIT, GOVERNMENT, CIVIC, AND BUSINESS GROUPS ARE WORKING TOGETHER TO ENSURE ADEQUATE TRANSIT SERVICE FOR THEIR WORKERS, CUSTOMERS AND NEIGHBORS.

BUT THE SUPPORT ISN'T JUST FOR SOPHISTICATED RAIL PROJECTS AND BIG CITY PLANS. FOR EVERY NEW YORK, CHICAGO, AND LOS ANGELES, THERE ARE 10 MONTEREYS, IOWA CITYS, AND CORPUS CHRISTIS.

TRANSIT'S CONTRIBUTION TO THOSE CITIES IS MEASURED IN WORKERS ABLE TO REACH THE STORES, NEW JOBS CREATED, AND DOLLARS CONTRIBUTED TO THE LOCAL ECONOMY.

TRANSIT CONTRIBUTES TO MOBILITY, TO ENERGY CONSERVATION, TO THE FIGHT AGAINST INFLATION, TO URBAN REVITALIZATION, AND TO BUSINESS AND ECONOMIC STABILITY. IN SHORT, TRANSIT MAKES THE DIFFERENCE BETWEEN A HEALTHY, VIGOROUS ECONOMY AND ONE HEADING TOWARD DISASTER. THAT'S WORTH PAYING FOR.

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## LEONARD RONIS
## PRESIDENT
## AMERICAN PUBLIC TRANSIT ASSOCIATION

LEONARD RONIS, GENERAL MANAGER OF THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY, HAS SERVED FOUR YEARS AS AN APTA VICE PRESIDENT, HAVING COMPLETED TWO YEARS AS APTA VICE PRESIDENT-MANAGEMENT & FINANCE IN 1978 AND TWO YEARS AS VICE PRESIDENT-DEVELOPMENT & TECHNOLOGY.

RONIS BECAME GENERAL MANAGER OF GCRTA IN SEPTEMBER 1975, HAVING BEEN APPOINTED GENERAL MANAGER OF ITS PREDECESSOR, THE CLEVELAND TRANSIT SYSTEM, IN JANUARY OF THE SAME YEAR. HE BEGAN HIS TRANSIT CAREER IN 1946 WITH CTS AS A PERSONNEL ADMINISTRATOR.

THE APTA PRESIDENT IS A FOUNDER AND PAST PRESIDENT OF THE OHIO PUBLIC TRANSIT ASSOCIATION AND CHAIRMAN OF THE TRANSIT DATA SUMMARIES GROUP, AN ORGANIZATION OF TRANSIT LABOR CONTRACT NEGOTIATORS.

New York Times April 5, 1981

# Transit Decline Poses a Threat To Jobs in City

By JUDITH CUMMINGS

Delayed subway trips, commuter-train breakdowns and no-show buses are straining the commercial links that have made New York City a singular attraction as a place to do business.

While business was once helped by the ease of access to bankers, lawyers, advertising agencies and a work force, a wild card has now entered the game: unreliable public transportation that executives say delays schedules, adds to inflation and threatens to wash away the city's new guarded optimism.

*Before the nation's industry can be rebuilt, heavy investment will be needed in cities' deteriorating public facilities, a new study reports. Page 26.*

The decline has caused deep concern among government officials who say mass transit is a key element among the qualities the region offers business, a factor that can tip the balance of decisions that add or subtract jobs.

The transportation network's deterioration has begun to be closely watched by those who monitor the economy, leading to the following moves in recent weeks:

¶The Federal Reserve Bank of New York has begun a study of the impact on the economy, including an analysis of the effects of train delays on worker productivity and the resulting dollar costs.

¶Standard & Poor's Corporation and Moody's Investors Service both cited deteriorated mass transportation as a cause of grave concern in their ratings of the city's fiscal health.

¶The regional office of the Federal Bureau of Labor Statistics singled out "the importance of a well-functioning transportation system" in maintaining private-sector employment.

The problem was dramatically demonstrated by two recent developments. One weekday last month, nearly all 95,000 Long Island Rail Road commuters were delayed one and a half to four hours on their way to the business core by a breakdown under the East River.

And the city's Department of Transportation reported that, largely as a result of refugees from public transportation, the volume of automobile traffic into Manhattan in 1980 reached the highest level in history — double that of 1950 — and midtown travel speeds were the lowest ever recorded.

The senior vice president in charge of municipal bonds for Moody's Investors Service, Freda Ackerman, said that in New York's economic picture transit had "taken on much greater significance than in past years."

### 'Grave Concern' Voiced

"There is grave concern in the financial community," she said, "that if a financing package is not put together expeditiously, it will have very detrimental effects on the future economy in the region."

Lewis Rudin, one of the city's biggest real estate investors and builders, said, "We've reached the point now that it's critical for department stores, for service industries, for the general business climate, to get this mass-transit system running properly — clean, safe, on time."

Without a quick reversal, Mr. Rudin said, "the companies will eventually say, 'That's enough,' and they'll move elsewhere."

Richard Ravitch, chairman of the Metropolitan Transportation Authority, blames the precipitous slide of mass transit on the fiscal austerity of the mid-1970's. The authority is seeking in Albany a program of $5.85 billion over five years for transit improvements and larger operating subsidies, and increased fares are likely.

The plan has been stalled, amid criticism of the authority's performance and priorities, by a dispute between Governor Carey and Mayor Koch. The Mayor is withholding his support of the Westway highway project in an attempt to get more state aid.

### $1 Billion for the Trade-In

Moreover, the question of how to resolve the transit problems is splitting the resident business community along pro- and anti-Westway lines, with the stakes the $1 billion in transit improvements that opponents of the superhighway hope could be obtained in a trade-in for Federal Westway funds.

On the pro-Westway side are some business organizations, among them David Rockefeller's Economic Development Council, the New York Chamber of Commerce and Industry and the Real Estate Board of New York. These groups have called for a speedy solution to the transit system's operating deficits and capital needs but insist that trading in the highway funds is not the way to accomplish it.

On the anti-Westway side, a group of individual business executives, saying they are "alarmed by the desperate condition of our city's mass-transit system," have joined to start "a regionwide effort" to free that money for mass transportation.

They include Seymour Durst, president of the Durst Organization, a builder heavily involved in office-building construction; Donald E. Weeden, partner in a Wall Street brokerage concern, and Joel W. Harnett, president of Media Horizons Inc., a magazine publishing company.

The Westway issue aside, however, there is agreement that the transportation decline is generating economic consequences, all of which may not be felt for several years.

### The Threat of Relocation

In the view of some of the city's key business people, officials and civic leaders, these range from reduced employee productivity to complications in relocating. A lowering of the quality of life for executives and other workers may ultimately lead, they say, to decisions to relocate operations outside the region.

McKinsey and Company, a management-consulting concern whose clients are among the nation's largest corporations, is one of those that decided to open an office outside the city, in Stamford, Conn., when it enlarged its operations two years ago.

"One of the reasons for doing it," said Donald K. Clifford Jr., a director of the company, in a recent interview, "was that people who live in Connecticut got sick of putting up with the commute."

Like others, Mr. Clifford was quick to say that New York State's relatively high business taxes also weighed heavily in a company's choice of a site. But until recently, New York City could promote its public transportation network — inexpensive and extensive — as a lure to businesses.

Peter J. Solomon, Mayor Koch's Deputy Mayor for Economic Development until a year ago and now a partner in Lehman Brothers Kuhn Loeb, said the transportation system became an even more valuable selling point to businesses in the fuel crisis.

"We began to sell as an important asset of New York City the fact that it had cheap, efficient transportation for workers," he said. "A company still would have a ready pool of workers so it didn't have to worry about car-pooling or gas lines. It was absolutely critical."

Mr. Solomon ranked the factors helping the city sell itself this way: its cultural institutions, its talent pool and an amorphous quality he called "the excitement." The negative factors have been high taxes, the high cost of doing business, and the schools.

"In the middle was transportation," he said.

According to Karen N. Gerard, who took over the economic development post in City Hall last month, the city still considers the transit system an attraction, but more in theory than in practice.

"If I were going to be giving people a list of things," she said, "I would still be telling them we're going to get this under control and this is going to be an asset."

Mrs. Gerard stressed that the administration's objective in the transit decline was to create a sense that the deterioration was under control — the spur for Mayor Koch's demand for a significant service improvement in return for his support for a fare increase.

"It was the same thing in terms of the fiscal crisis," Mrs. Gerard said. "The city didn't have to solve all its problems immediately, but people had to have a sense that the situation was under control."

Others outside the administration, however, are less sanguine.

Standard & Poor's, in an assessment of the city's economic base when it raised its rating of the city's bonds to a low but investment-grade BBB, said, "It is clear that the transit dilemma is of critical concern to both commuters and the city's business community."

"If the appropriate steps are not taken to rectify these problems," the investment service warned, "deterioration of the city's economic base and central business district will result."

Samuel M. Ehrenhalt, the regional commissioner of the Bureau of Labor Statistics, concluded that public transportation was "more significant in New York City's job picture than any other major area in the country."

A survey in the mid-1970's showed that more than 40 percent of all workers living in the city and in Nassau, Suffolk, Westchester and Rockland Counties used public transportation to get to their jobs. No other city approached that figure; Chicago was next at 18 percent.

### Commuters Getting New Jobs

The job growth, in turn, may have added to the already crowded peak hours on Conrail and the Long Island Rail Road. Deputy Mayor Gerard, in a report on the city's short-range economic outlook when she was a Chase Manhattan Bank economist last year, found that expansion in jobs in the private sector "has been going almost exclusively to commuters," in contrast to resident workers.

Precise assessments of the cost to businesses are difficult to pinpoint. In interviews, the officers of a dozen companies said they were reluctant to place a specific value on lost time stemming from transit delays, saying that computation methods were too inexact or that they believed employees were able to make up the time.

Some rough guidelines may be drawn, however, from a study last year by Mrs. Gerard on the effect of the 1980 transit strike. She said that an estimated "loss of 15 percent of gross product per day does not seem unreasonable" as a result of that disruption "if one assumes that worker productivity declined because of lateness and exhaustion," two factors present also in the current service decline.

Just as poor and working-class riders are hit the hardest by transit problems because they have fewer alternatives, Mrs. Gerard pointed out in the same study, so are marginal and smaller businesses.

Regina Armstrong, an economist with the Regional Plan Association, said small manufacturing companies, which provide many of the region's low-skilled jobs, would feel the squeeze in terms of increased costs.

"Apparel manufacturers, for example, and small printing and publishing firms," she said, "will feel the pressure for salary increases" as employees look to private bus companies and other means of getting to work.

"I have one designer, one pattern maker," said Robert M. Miller, vice president of the Jules Miller Coat Company, a small apparel concern founded by his father. "I have a line to get out by a certain date. If he's not here when the day starts, I lose a tremendous amount of time."

Charles Bell, executive vice president of the Hilton International Corporation, operator of the new Vista International Hotel near the World Trade Center, said that even his company's recruitment had been affected.

"We tried to hire a senior executive from Toronto not long ago, to work in the main office," he said. "After taking a look at the whole situation, the costs and what he learned from other executives about the unreliability of the system, he decided he'd stay where he was."

To Lawrence D. Ackman, president of Ackman Brothers and Singer Inc., one of the city's top five realty and mortgage brokers, the decline in subway service pales in the face of the condition of Conrail's Harlem Division line, which he rides.

### 'Bad Commuting' in Westchester

"Statistically, in Fairfield County, Conn., you have seen an increase in real-estate values of 20 to 25 percent a year in the past 10 years," Mr. Ackman said, "especially in Danbury and Greenwich. But in Westchester County, there's been not more than a 7-percent-a-year average increase in value.

"Part of it is Connecticut's lower real estate taxes," he added, "but I'd say 50 percent of the reason is the bad commuting" in Westchester.

Mr. Rudin, the real estate developer who was one of the prime movers of the "I Love New York" campaign, was more reluctant to evaluate transportation's effect on real estate values, but he saw a real threat to New York's image of being on the road up.

"I can only say that in three or four years, real-estate values have gone up dramatically because the perception is better," Mr. Rudin said. "It could fall off just as quickly if people say, 'Chuck it, it's too hard to do business in New York, too hard to move in New York.' It's a subtle ingredient."

### OPERATING ASSISTANCE PROGRAM

Senator D'AMATO. Continue, Mr. Ronis, please.

Mr. RONIS. Senator, if we can't increase the operating assistance program, we certainly should not permit it to be reduced. It is absolutely essential. There's no point in talking about capital assistance for systems that have gone out of business like the Birmingham.

Senator D'AMATO. Good point.

Your point is that——

Mr. RONIS. In order to keep a system functioning you have to have the funds to pay—to meet the payroll every other week.

In Cleveland I am struggling with a budget right now for 1981 and I know that I am going to be facing fare increases before this year is over.

Senator D'AMATO. What is your fare now?

Mr. RONIS. My fare is 50 cents for an express ride and 40 cents for a local ride. But with the reduction of the Federal operating subsidy as projected in the President's proposal, we would have to have about a 40-percent increase in fares, and I would say that that applies across the country.

Senator D'AMATO. What would your fare incresse be, what would your fare structure be, let's say, at the end of 1981, this year? You contemplate an increase this year?

Mr. RONIS. Only my board of trustees can set the fares, but I would be willing to guess that my express fare will go from 50 to 75 cents. My local fare will probably go from 40 cents to either 50 or 60 cents.

Senator D'AMATO. That increase will take place whether or not the operating subsidies continue, because the impact, really, won't be until 1983.

Mr. RONIS. We have already had an impact, because under the legislation of 1978 we could have assumed that the authorized funds would have been increasing each year about the same proportion as our costs have been inflating and for me in Cleveland, for example, where I will get probably $16½ million in Federal operating subsidy this year, I projected 1 year ago and 2 years ago that I would be receiving $22 million in Federal operating subsidies, so we have already had to cut back. We already had a fare increase last year as a result of this and that's why we are already projecting a fare increase this year.

Senator D'AMATO. But would you project a 50-percent increase in your fare in Cleveland, let's say, by 1982?

Mr. RONIS. Absolutely. That will absolutely drive people away.

Senator D'AMATO. What effects do you anticipate that fare increases at 50 to 75 cents will have on your ridership? How many riders do you transport daily?

Mr. RONIS. I transport daily about 460,000 rides. I do not count the actual riders.

Senator D'AMATO. 460,000 rides.

### EFFECT OF 50-PERCENT FARE INCREASE ON CLEVELAND RIDERSHIP

What do you anticipate a 50-percent increase will do?

Mr. RONIS. It ought to drive down the riding from 10 to 15 percent.

Senator D'AMATO. So you will lose approximately 50,000 rides a day.

Mr. RONIS. Yes, sir.

It would mean more people driving automobiles and more people——

Senator D'AMATO. More people leaving the whole area?

Mr. RONIS. Buying petroleum. Some people, perhaps, leaving the area. Even worse, many people not being able to go to and from work, because I am sure that as a result of this some of the less productive lines will have to be curtailed. Trips that aren't carrying full loads will have to be curtailed and there are some trips that are needed just for the necessity of carrying on life in an urban community, even though they may not be economically productive.

That is No. 1. We absolutely have to hold the line on operating assistance.

### CAPITAL ASSISTANCE

As far as capital assistance is concerned, again I agree with Mr. Ravich. The most important phase of the capital program is the program for rehabilitation and repair of broken down, worn out transit facilities, because if something is not done to improve the condition of our transit facilities and to replace buses which are worn out—about one-tenth, I would say right now, of the buses in the United States that are functioning, including some of my own, have no business being on the streets. They are more than 13 years old. I am running some buses that are over 22 years old and a few that are over 30 years old. We have no business running equipment like that. It is uneconomical to operate it.

The capital structure of our transit system has been steadily deteriorating because we have not the capital funding to replace that structure and replace the equipment in sufficient quantity. That has to be continued.

### NEW STARTS

As far as new starts are concerned, many of our member systems are very anxious to proceed with the building of additional rail systems, busways, what have you. I believe that those things are important, but I do think that perhaps we may have to defer the initiation of some of those newer systems. However, when we are doing that we must be very careful that we do not stop the planning and we do not stop the engineering for those systems, so when the economic condition of this country turns around, we will be in a position to immediately proceed and not 2 or 3 years from now say, "OK, our economy has turned around. We are now starting to make improvements. Now let's sit down and start to plan so that 3 years from now we should do something." We should not be in that condition.

The amount of money involved in the planning and the engineering is relatively small by comparison to the other things we are talking about.

Furthermore, in the area of legislation, I noted that Mr. Teele is in the room and I will not say anything now that I have not already said to him.

### OVERREGULATION OF TRANSIT SYSTEMS

We have been overregulated. We have been overregulated with ridiculous regulations. Enough has been said about the 504 regulations and I won't comment further. My little city of Cleveland would have to pay something like $150 million to equip itself to handle those regulations when, at the same time, we have the finest small bus system in the entire country, with lifts to provide transportation for handicapped persons at a very small fraction of the cost that would be mandated under the 504 regulations.

Senator D'AMATO. You are talking about the parallel transportation systems?

### EXTRA LIFT SYSTEM

Mr. RONIS. It is a specialized transportation system. We call it CRT, and extra lift, and it is working. It is not as extensive as I would like it to be, but we don't have enough money to make it more extensive yet. It costs money to do it. One doesn't go without the other.

But the average ride, by specialized system is about $3.50 per ride. Under the 504 regulations, the average ride on my bus system would be about $66 per handicapped person and on my rail system, over $500, and that is ridiculous.

Senator D'AMATO. Let's go a step further.

Under your system, you come to the person's house and pick them up and deliver them. How are they going to get the bus in most cases or to the transit system?

Mr. RONIS. And I am in a city where we have snow at least 6 months of the year and there is no way they can ride from their home to the bus stop on the corner.

Senator D'AMATO. So you give for less money much more effective transportation.

Mr. RONIS. Better, more sensible service.

Senator D'AMATO. Than the rules and regulations now permit. There would be an expenditure, vast expenditure of public funds that provide inferior service.

Mr. RONIS. A worse service absolutely.

Senator D'AMATO. I hope my colleagues in Congress wake up, but they get all uptight with a group—10 people come in and it is a terrible situation, handicapped, and start—I went up to Buffalo to open my office and they all came in there and said, "What are you going to do about the handicapped program?"

I said, "We are not going to have any mass transit system if we try to continue along the lines prescribed."

Mr. RONIS. I don't want to occupy too much of your time, but there is absolutely too much paperwork required in order to get the funding, and let me cite one ridiculous example, and it is a ridiculous example.

My city is cut through the middle by the Cuyahoga River. There's no way to get from one side to the other unless you go over a bridge.

One of the older bridges in our community had to be closed. It will be closed for 4 years for repairs. You cannot traverse it, not with a bus or even an automobile.

I run buslines that used to go across that bridge. When they closed the bridge in order to have permission from the Federal Government not to run the buses across that bridge, or not to run them in the river, if you will, I had to announce in all of the local newspapers that those buslines were going to be rerouted. I had to schedule a public hearing 30 days after that. We had to have court stenographers present and we had to go through all of those things an file all of the appropriate applications with the Federal Government so that we could reroute the buslines and not run the buses into the river.

It is a small thing; it costs something like $3,300 to do it, but it is absolutely a total waste and I think it is characteristic of the kinds of things that we have to deal with. We have to cut out a lot of this paperwork; we have to cut out a lot of the regulations. Frankly, I think Mr. Teele is about to do that for us.

Senator D'AMATO. That's good. That would be refreshing to have an administrator turn over some of his power and that's one of the things that I have been encouraged with.

Mr. RONIS. I am encouraged by the administration's attitude toward regulations and toward the need for reducing the amount of regulations that are being imposed on the transit system.

Senator D'AMATO. I ask you one thing further. If you would submit to us when you get the opportunity—the record will be open for the next 10 days—a list of some of those rules and regulations, and you might expand on it if you wanted to.

Mr. RONIS. We would be very pleased to do that.

Senator D'AMATO. That you feel are counterproductive and create that voluminous paperwork and create a burden.

Mr. RONIS. I would be pleased to do that.

Senator D'AMATO. Thank you very, very much for your testimony.

Mr. RONIS. Thank you, Senator.

### INTRODUCTION OF ALBANY WITNESSES

Senator D'AMATO. I notice that Mr. Teele is here and I am delighted that he is here with us at this point and has taken the time to be here. We have got some of his colleagues; I hope that they are as candid with Mr. Teele, and I think they will be. I would like to call upon them from Albany, Mr. Robert Lyman, who is the chairman of the transit authority, with Dennis Fitzgerald, executive director. I understand we also have Arthur Dinsmore. I am wondering if maybe it might not pay to have the representatives from Syracuse and Buffalo and Rochester come on up because I think there are some problems that are shared and that exist together.

In this way, those of you who have some other concerns what we might be able to do is cut down but yet make the point because there seems to exist an attitude that the problem of mass transit is one that only affects, let's say, New York City and the smaller communities and counties that are so essential, don't have great problems or maybe not even great concern.

What is your thinking on all of that? Do you have any problem?

If, as you are speaking, if you would introduce yourself for the purposes of the stenographer getting your remarks.

Mr. LYMAN. I would imagine, Senator, inasmuch as the microphone is before me, I will begin.

## CAPITAL DISTRICT TRANSPORTATION AUTHORITY

### (ALBANY-SCHNECTADY-TROY AREA)

## STATEMENT OF ROBERT LYMAN, CHAIRMAN, CAPITAL DISTRICT TRANSPORTATION AUTHORITY

**ACCOMPANIED BY:**

**DENNIS FITZGERALD, EXECUTIVE DIRECTOR, CAPITAL DISTRICT TRANSPORTATION AUTHORITY**

**ARTHUR DINSMORE, BOARD MEMBER**

### CAPITAL DISTRICT TRANSPORTATION AUTHORITY

Mr. LYMAN. My name is Bob Lyman. I am the chairman of the Capital District Transportation Authority, which runs about 240 buses in the Albany-Schnectady-Troy area.

About 1 month ago we had the occasion to have testimony given before the New York State Senate and the New York State Commission on critical choices in transportation.

I had the pleasure on that occasion of following MTA, and came before them with the problems of our transit system, which, by comparison, were small. I am glad that you have adopted a format here which enables me to get all of the upstate authorities next to us here so we can all come together and present a posture which can at least equal MTA, if not surpass it, in problems.

Senator D'AMATO. You don't really want to surpass it in problems, I am telling you.

Mr. LYMAN. But the point, as you have made it, is the fact that the problems that MTA has are problems that we in the upstate authorities have in miniature. I will speak briefly for CDTA and what our system looks like and what the effects of the elimination of section 5 moneys would mean to us.

Our Federal operating assistance is about 25 percent of our budget. Another 25 percent, approximately, comes from State and local sources, and approximately 50 percent comes out of the farebox.

The elimination of section 5 moneys for us, of course, would obviously mean quantum leaps in fare, which, in Albany, at this point, is 50 cents. That 50 cents was a raise in fares from 40 cents, which has only been in effect for about 1 year.

As you are aware, the budget maneuverings in Albany and the fate of the gross receipts tax in the courts make budget predictions and fare level predictions very difficult at this time in New York transit systems and I assume I speak for my colleagues upstate when I say that.

However, assuming in our budget that all of those sources of revenue remained intact, that is, we were able to get the full measure of our gross receipts tax and the fare remained the same, the elimination of Federal funds to us would mean immediately probably a 50-cent increase in the cost of fares on our system.

As I say, most of our routes are 50 cents now, which has been in operation for a year.

I think that it would be a fair statement to say that were we to raise fares to that level, there would be a massive defection from our system. We took a poll when we raised the fare to 50 cents, and have determined probably that did not cause much of a ridership decrease, although our ridership this year has not increased at all. Our feeling is that the availability of gas in our upstate communities, coupled with a stable price for that gas, has let a lot of people to get back into their cars who would have normally come to our system.

We in the Albany-Troy-Schenectady area provide the same amount proportionately of work trips and pleasure trips as do MTA or Cleveland or anyone else, and we feel that the gains that we have been able to make in our transit system, that is, the equipment that we are using now and the level of services that we have, has been done over a period of time with a lot of hard work. The reduction in ridership, obviously, would see all of that work go for naught. A lot of money spent on the system which would be—would go down the drain based on the fact that I think in our area ridership would decline dramatically.

We are not anxious to see our cities remain valuable places for our people to work and have recreation in. In Albany and the area up that way we had even a revitalization of our downtown. As you know, the Empire State Plaza is working and there is a major hotel convention center, another one along the line, and I think the availability of transit in our area is playing a major part in that we have established a reputation for clean, effective, economical, safe service for our people and the loss of section 5 moneys would deteriorate that dramatically.

I want to touch briefly on the capital situation as it obtains at CDTA. We have just completed a very large building program whereby we created a new facility in Troy, which eliminates for us the need to deadhead buses over from Albany, which will probably save us a good amount of gasoline in deadheading costs, and we hav filed an application with UMTA for the acquisition of 130 new buses over the next 2 years.

The main part of our bus fleet is about 13 years old now, and needs to be replaced. We have assurances—at least we think we have assurances—that that money will be available from the Federal Government. So if all of that falls into place, we reasonably expect we can hold fares at the rate of inflation, if not below the rate of inflation, based on the operating economies.

All of that would be for nothing, however, Senator, should operating aid be deleted from our system. There would be no way, I believe, for the State to make that money up to us, and therefore these fare increases would have to obtain.

I will be glad to turn the microphone over to my colleagues. Thank you.

### PREPARED STATEMENT

Senator D'AMATO. We will insert your prepared statement in the record at this point.

[The statement follows:]

# PREPARED STATEMENT OF ROBERT LYMAN, CHAIRMAN
# CAPITAL DISTRICT TRANSPORTATION AUTHORITY
## ALBANY, NEW YORK

Good afternoon, my name is Robert Lyman, Chairman of the Capital District Transportation Authority in Albany. CDTA operates 240 buses in the Albany-Schenectady-Troy metropolitan area and carries about 15,000,000 passengers annually. We are the recipient of considerable federal operating assistance under Section 5 of the Urban Mass Transportation Act of 1964.

I am deeply concerned by proposals of the current Administration to eliminate federal transit operating subsidies by 1985. Since the inception of federal operating assistance in 1975 coupled with a similar program of State assistance the year before, we have been able to maintain a rather stable fare policy, make modest expansions of our service and add service on our congested lines to alleviate problems of overcrowding.

At present, federal operating assistance comprises about 25% of our total revenue. Other public financial assistance makes up 25%, while the riding public, the largest source of our support makes up the remaining 50%.

Were Section 5 operating assistance to be phased out, some combination of service reduction and very large increases in fares would be required to continue to operate with balanced budgets.

Let me discuss the two extreme cases. Were we to maintain the same level of service and expect a slight increase in non-federal assistance, over the next few years the price of a bus ride would be increased by 50%, plus whatever cost increases are caused by inflation. At a 10% inflation rate, the elimination of Section 5 operating assistance could cause our bus fare which is now $.50 to rise to well over $1.00 in just four years.

On the other extreme, were we to maintain real fare levels, that is, allow them to increase with the rate of inflation, the withdrawl of Section 5 operating assistance would result in a decrease of between 25% and 30% in the amount of service we supply. This would radically change the transit system as we know it today. Most suburban service would be eliminated and our rush hour service would be even more severly overcrowded than it is at present.

Again, our course of action in the absence of federal assistance is not known at this time. However, some combination of an acceleration in the fare level and a reduction in service quality would result.

Although this hearing is intended primarily for you to obtain information on the impact of the reduction in federal operating assistance on our operation, I'm sure that you have a strong interest in the effect of the Administration's proposals on our riders and the quality of life in our central cities.

Significant alteration of current public policies toward transit either in fare structure or service levels would cause a precipitous erosion of ridership. This would result in further service decline much as the sharp reduction in ridership in the 1960's in the waning days of private operation caused serious deterioration of service quality.

Continued levels of adequate, predictable federal financing are needed by our agency and other public transit systems for several reasons.

First, the Administration's contention that transit is a local problem and thus should be financed locally is not entirely correct. There are benefits to the entire nation in the provision of transit service, mostly in the form of lowering prices of goods and services. Without adequate, high quality transit service many people, particularly those with modest incomes would be unable to travel to work. This could result in both increased public assistance payments, an activity typically undertaken at the federal level. Further, higher transit fares which would result from a withdrawl of federal operating assistance would raise the cost of attracting workers, a cost generally shifted forward to consumers.

Secondly, it is generally recognized that industrial cities, particularly in the Northeast, have been in a period of decline as the economy shifts emphasis from production of manufactured goods to the provision of services. There are signs however, that some of this decline may be reversing. In our own area, much has been happening in the City of Albany to revitalize the downtown. Older office and residential buildings are being rehabilitated, more stores are returning to downtown and a major convetnion hotel is under construction. Our transit service complements these developments and is a major force in improving the business and residential environment in all of our downtowns. The vitality of the transit system is essential to the continued rejuvenation of the downtown area.

Thirdly, there appears to be on the part of the Administration a penchant for considering the urban transportation system, both transit and the automobile segments, as a private market and that transit competes with auto travel just as Ford does with General Motors. The nature of our service coupled with past public policies result in transit service being placed at a distinct competitive disadvantage. For example, the massive highway construction program in the 1960's and 1970's significantly altered where people lived and where people worked. The faster travel times due to highway construction caused people to live in more sparsely settled areas, places where transit service operates least efficiently.

While the Administration suggests that transit pay more of its own way, we feel that automotive traffic is also being generously supported by non-users. Examples of the direct cost of auto traffic not borne by the user includes the maintenance and repair costs of local streets and police protection of our highways. Indirectly, society as a whole assumes the cost of traffic congestion, air pollution and energy consumption.

Fourthly, the federal government through the Urban Mass Transportation Administration has invested a considerable amount of money in the physical plant and vehicles operated by the Authority. When private transit operators in the 1960's were faced with declining markets, they reduced expenses particularly in the areas of training and marketing. Frequently, maintenance costs were deferred resulting in premature replacement of capital facilities and a reduction in the reliability of the service provided. I feel that in order to protect the substantial investment already made, an adequate amount of external funds is required to prevent a repeat of that debacle.

Finally, a recent New York Times/CBS News poll indicated that nearly half of the population wants the level of transit assistance to remain at its current level while over a quarter of the population wanted it to be increased. This suggests that the nation recognizes the value of public investments in transit services and wishes to see that investment protected.

In conclusion, I feel that the Capital District Transportation Authority as well as its sister transit agencies throughout New York have proven to be worthy trustees of federal financial assistance in the past. We feel that the continued operation of an efficient, high quality transit system depends on the continuation of the partnership of local, state and federal governments.

Just last month, I spoke at a hearing co-sponsored by the New York State Senate Transportation Committee and the Commission on Critical Transportation Choices where I emphasized the State is also responsible for maintaining quality transit service. We annually meet with local representatives to convey this same message

On behalf of my colleagues, I thank you for the opportunity to participate in this hearing. Transportation has always played and will continue to play a key role in the growth and vitality of the four counties in the Capital District as well as New York State, and we are proud to play a small but important role in the transportation system. Finally, we trust that it goes without saying - but we'll say it anyway - that we and the citizens of our four counties are truly grateful for the federal committment to our work and your continuing interest in our progress. I would be pleased to answer any questions that you might have.

## CENTRAL NEW YORK REGIONAL TRANSPORTATION AUTHORITY

### STATEMENT OF BARRY SHULMAN, CENTRAL NEW YORK, REGIONAL TRANSPORTATION AUTHORITY, COUNSEL

### PREPARED STATEMENT

Senator D'AMATO. Mr. Shulman from Syracuse.

Mr. SHULMAN. Senator, my name is Barry Shulman. I am counsel to the Central New York Regional Transportation Authority in Syracuse, N.Y.

I have prepared remarks but in the interest of time I won't go through them. I will give you a capsule comment.

Senator D'AMATO. Let me hear the relevant points. The complete statement will be inserted in the record at this point.

[The statement follows:]

# PREPARED STATEMENT OF BARRY SHULMAN, COUNSEL

# NEW YORK REGIONAL TRANSPORTATION AUTHORITY, SYRACUSE

On behalf of the Board of Members of the Central New York Regional Transportation Authority, together with its staff and approximately 413 employees, I would like to express deep gratitude to Senator D'Amato and the members and staff of this Senate subcommittee studying mass transit subsidy appropriations for giving us this opportunity to be heard. My name is Barry M. Shulman. I am an attorney practicing law in Syracuse, New York and am counsel to the Central New York Regional Transportation Authority.

It is the hope of our Authority that you will conclude from this testimony that to follow the policies outlined by the White House to reduce and then eliminate transit subsidy aid over a five year period will be inordinately destructive to mass transit systems in the cities which we serve.

The Central New York Regional Transportation Authority operates in three counties, Onondaga, Cayuga and Oswego. A large part of its service is generated because of the needs of residents of the greater Syracuse area. It further serves the cities of Fulton, Oswego and Auburn, New York and suburban and rural areas adjacent thereto.

While our ridership may not generally be as high a percentage to total population as in the New York metropolitan area, our riders tend to be less affluent and more transit dependent. Approximately 87% of our ridership represents sectors comprised of the elderly, the handicapped, the urban and rural poor and lower middle class transit dependent riders.

Like all transportation authorities, we have been more and more caught in the pinch of immense federal regulatory bureaucracy generated from the Departments of Transportation and Labor. We have been struck hard by escalating oil, bus and component part prices. We have seen a decline in business and industry. Throughout all of this, we have managed to hold our ridership and our labor costs in tact.

By way of introduction, let me tell you that the Central New York Regional Transportation Authority is nationally recognized as one of the finest transportation authorities in the

United States. We were the first transportation authority in the United States to provide demand-responsive service known as Call-A-Bus, to the elderly and handicapped. We were the first transportation authority in the United States to use computerized run cutting and scheduling in order to put more bus service on the street, without increasing and in some cases even diminishing overhead cost. Our Executive Director, Warren Frank, has served as a member of the American Public Transportation Association's National Executive Committee and we are known throughout the United States for our marketing techniques. Our Board is comprised of community leaders from all areas of commercial and academic life.

We have won the Fleet Owners Maintenance Efficiency Award every year since 1973. We have been given awards by ACCORD, a senior citizen advocacy group, by the National Rehabilitation Association, the Environmental Protection Agency, Northeastern University, and among others the National Harry E. Salzberg Memorial Award. We have also won the Urban Mass Transportation Administration Regional 2 Award. We have most consistantly had the lowest operating cost per rider of any transportation authority in New York State and have been able to sustain consistant ridership and increased service to our community despite all odds. We have an excellent relationship with local business and industry, and because of the job we have done, we have always benefited from our relationship with the press.

I commence with reference to these achievements to show you that in Central New York we are doing a better than adequate job.

The Central New York Regional Transportation Authority was created by Act of the New York State Legislature in 1970. It commenced operations in 1971, from the ashes of a private company then known as Syracuse Transit Corporation. Had the Central New York Regional Transportation Authority not been created, no mass transit service could today exist in our district.

From 1971 through 1974 the Central New York Regional Transportation Authority stabilized service in Onondaga County, introduced regular route service at an efficient level in Auburn, New York and began previously non-existant mass transit service badly needed in Oswego, New York without any State or federal subsidy aid.

Because of labor demands (and I will discuss these in a moment), because of increasing costs of operations, because of expansion of service and the local take-over of the costs of our Call-A-Bus program, when federally funded pilot project subsidies ended, application for operating aid was inevitable.

As the annexed Schedule "A" indicates, in the full year of 1980, $2,914,000.00 was received from the federal government, in operating aid. This is slightly more than 50% of our total subsidies, but approximately one-third of our consolidated 1980 fiscal year budget of $9,303,000.00. In 1981 we anticipate a budget estimated to be approximately $2,000,000.00 higher, or approximately $11,500,000.00. Our fiscal year, like that of the State of New York, commences on April 1st.

In 1975 the State of New York gave our transportation authority approximately $586,000.00. This amount has increased over the years to a projected receipt in 1981 of $2,633,000.00, if the gross receipts tax is found constitutional, which I unfortunately believe to be highly unlikely.

Local governments, mainly counties in the Central New York regional transportation district, are as a whole now contributing in the neighborhood of from $900,000.00 to $1,014,000.00 annually to the operations of the Central New York Regional Transportation Authority. These local governments find themselves likewise endangered by the projected loss of revenue sharing aid and seem less anxious to devote dollars to mass transit in the face of other needs which local legislators consider equally compelling.

If it is the will of Congress to move to a service based formula, special care should be given to authorities such as those in Upstate New York in order to safeguard the revenues which they currently receive, and prevent their losses in order to benefit larger metropolitan areas for whom the service based formula may be more appropriate.

The most important protection against the President's proposals in modifying the nature of operating subsidy aid from a population/population density formula to a service based formula is the concept of a hold harmless or in the alternative, a satisfactory phasing in of a combined subsidy program in the nature of a hold harmless. All formulas are found either to be good or bad based upon their practical application in the field. Because of the nature of our consumer and the relative thinness of our current subsidies, because of our desire to expand service and meet the needs of areas not currently served but requesting service, we cannot afford to lose any subsidy monies or to reduce levels currently received.

It goes without saying, therefore, that operating subsidies from the federal level cannot after such a long period of time be withdrawn. It is unrealistic to assume in States like New York with no sales tax revenues, with no other growing revenue bases allocated to mass transit, that local governments or transportation authorities will themselves be able to finance the shortfall of any decrease in revenues.

Federal revenues should be increased to keep pace with inflation which primarily affects transportation authorities as can be seen with fuel prices.

Rural programs under Section 18 of the UMTA Act should be streamlined and the funds allocated therein should be made able to flow more freely than in the past. In fact, all federal operating programs should be so streamlined, perhaps by the elimination of tiers and by clearly differentiating the sections of the UMTA Act through which operating subsidies are advanced from sister sections through which capital subsidies flow.

In the capital area, we in Syracuse are building a bus garage which, at $11,000,000.00 will be one of the major capital projects in the area. We hope to commence construction this Spring.

Because of federal regulations we must replace portions of our fleet with new, highly expensive, often defectively manufactured buses, with wheelchair lifts that may or may not work, and holding devices which are all too often unsafe. The State and federal governments together will be providing 90% of our capital expenditures proposed in 1981 (in addition to our garage needs) to be $4,070,000.00.

It is the estimate of the industry that President Reagan's program for economic recovery falls short of the anticipated capital needs of the industry by approximately one-third. Because of inflation, federal regulation, avarice or whatever, the cost of buses has increased in ten years from $40,000.00 - $160,000.00. Price has not predetermined quality and capital monies are needed in ever increasing quantity for the stockpiling of bus parts in short supply and for capital repair which exceeds ordinary maintenance expense limits.

A federal capital commitment must consider the needs of the industry and must help meet that need. Federal funds for development and research on the capital side would be extremely helpful so that the vehicle, obviously the heart of any transportation system, becomes more dependable and reliable, let alone more fuel efficient.

As to the Central New York Regional Transportation Authority's wages and wage packages, I believe that you will agree that we have acted in the best interest of the taxpayer, as well as our employee. Since 1971, wages for drivers in the Central New York regional transportation district have increased at a factor of 1.07, while inflation increased at a factor of 1.35. In 1971, a driver earning the top wage would have been paid $3.85 per hour. This is projected in 1981 at $7.44 per hour. Fuel prices in 1972 were approximately 13 cents per gallon. This, of course, has multiplied geometrically to an estimated $1.10 per gallon in 1981, or a 746% increase in a ten year period.

The consolidated budget of the Central New York Regional Transportation Authority and all of its subsidiary corporations has increased 196% in nine years from a total budget in 1972 of $3,891,000.00 to an estimated total budget in 1981 of $11,500,000.00.

For several years, in accordance with our own desires and the wishes of Governor Carey, fares at the Central New York Regional Transportation Authority were never increased above a 35 cent fare charged in Onondaga County and a 25 cent fare charged in Oswego and Cayuga counties. Early last year, because of financial pressures, public hearings were held and fares reluctantly raised to 50 cents in Onondaga County and 35 cents in outlying counties. One justification for reduced fares in outlying counties is that the mortgage tax revenues produced in such counties and revenues subsidizing such counties' operations from local county legislatures exceeded or equalled the deficit in such counties, permitting the lower fare.

What we have witnessed in Syracuse, however, is that while revenues have increased because of increased fares, ridership for the first time in our history is beginning to decline. In this regard, perhaps the problem is greater than fare adjustments. I was the first Chairman of the American Public Tansit Association's Counsel's Section and helped to create it nationally. At national meetings, I am made aware of the increased work force in areas of the country other than the northeast. I can see in the City of Syracuse and its outlying areas how ridership declines because work and the job market declines, and I believe that our Central New York area is healthier than many other areas in New York State.

Transportation Authorities need more champions in Washington. We can never have too many. We need people who understand the benefit of mass transit ecologically and economically, who understand its benefit to the elderly and handicapped, to the young, to the working person and the consumer.

Because 80% of our cost of doing business is labor, we -- both management and labor -- need a stable source of income that we can rely on to do our planning.

It would be easy for us to operate at a profit if we cut back so far on our community service that we operated only during peak times within a small area, if we stopped busing the poor to nutrition centers and the elderly to medical appointments by demand-responsive service.

What we need is less regulation, less paperwork for the sake of paperwork. Since I have been counsel to the Central New York Regional Transportation Authority, eight years now, I have seen charter regulations and amended regulations making little sense; Section 504 elderly and handicapped accessibility requirements, beneficial in purpose but ridiculous in execution; procurement regulations creating additional costs of purchase, necessitating specification review in Washington, and it is easy to see that the quality of material which we are purchasing has not improved. I have seen the Department of Labor override the United States Supreme Court in areas of Fair Labor Standards Act wages, unnecessarily and improperly. Its members were saved from prior tentative employment in private companies which have uniformly gone out of business. I have seen 13(c) labor protective arrangements altered in scope from paragraph warranties to agreements and now to the point where they not only provide the laudible purpose of protecting laborers from federal monies which may deprive them of work, to a thrust which now compels a federal arbitration in each and every local contract negotiation if the parties cannot reach agreement. Shades of the railroads.

As a representative of a transportation authority which, as was previously said, was one of the first in the United States to meet the needs of the elderly and handicapped, I stress to you that Section 504 accessability requirements will not accomplish their purpose and will be the most costly misappropriation of dollars in the history of the American taxpayer, the proper subject for a Golden Fleece award.

Please let us have local option. Set standards. Be tough on us, but do not require every bus to have a lift and every bus a section for wheelchair handicapped, at great expense, which experience in other areas has shown will undoubtedly be underutilized. In most places in Syracuse, New York, sidewalks are nonexistant. We have severe winters and some steep hills. We run a superior alternative demand-responsive service which has been limited by government funding into not being able to expand sufficiently to meet the needs of all of those who might use it. It would be far more cost efficient to spend money in Syracuse on expanding this demand-responsive service. For a driver of a bus in the City of Syracuse to leave his post, in the middle of winter on a steep hill while his bus is filled with 40 passengers, to go to the front door and help a passenger in a wheelchair to board the bus from no sidewalk onto a lift, to displace people in regular route service during rush hour so that this wheelchair may be locked in place, if the locks work, or in the alternative for a person attending the wheelchair handicapped person to ride free when better service exists, cannot be the best decision that government minds can collectively create. It will take courage to face the Section 504 issue on a political basis, but it is my firm opinion that if sufficiently stringent standards are set, local option may be of benefit to the elderly and handicapped wheelchair bound rider, rather than a mainstreaming into an already overcrowded mass transit service conducted by hassled drivers and put on the road by a proper but not overly expansive staff of mechanics.

What we need most of all is a signal from Washington that mass transit is important, that it is business productive, that the Congress of the United States stands behind it as it has for so many years and that the quality of mass transit service, whether by bus, light rail or the like, may continue to expand and improve in a setting which will permit it to give back to its local State and federal communities like kharma, the benefits which it has received.

Thank you.

| | TOTAL | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (Expressed in 100,000) | | | | | | |
| Operating Assistance | | STC | ---------- | ---------- | ---------- | ---------- | CENTRO | ---------- | ---------- | ---------- | ---------- | ---------- |
| Federal | | | | | | 2,763.75 | 11,549.33 | 18,577.40 | 21,650.01 | 26,326.14 | 29,141.32 | 18,587.74 |
| State | | | | | | 5,866.66 | 6,933.33 | 6,704.00 | 6,691.29 | 9,604.00 | 11,980.00 | 26,330.00 |
| Local Governments | | | | | 3,391.22 | 4,344.00 | 6,880.90 | 6,821.80 | 6,510.60 | 6,932.00 | 10,140.00 | 8,998.00 |
| CNYRTA | | | | 3,256.56 | 4,699.74 | 927.43 | 511.15 | 338.07 | 2,632.84 | 3,261.40 | 2,939.68 | |
| TOTAL OPENLY | | | | 3,256.56 | 8,090.96 | 13,901.84 | 24,609.81 | 32,441.27 | 37,484.74 | 46,123.54 | 54,201.00 | 53,915.74 |
| Capital Assistance | | | | | | | | | | | | |
| CNYRTA | 11,699.77 | | | 898.39 | 681.00 | 664.21 | 431.10 | 3,462.20 | 510.19 | 717.18 | 635.50 | 3,700.00 |
| State and Federal | 182,564.15 | | 35,699.45 | 37,165.76 | 983.79 | 6,113.44 | 939.21 | 49,421.89 | 6,148.26 | 4,552.71 | 4,539.64 | 37,000.00 |
| TOTAL CAPITAL | 194,263.92 | | 35,699.45 | 38,064.15 | 1,664.79 | 6,777.65 | 1,370.31 | 52,884.09 | 6,658.45 | 5,269.89 | 5,175.14 | 40,700.00 |
| Top Wage 9/30 - | | 3.58 | 3.88 | 4.16 | 4.60 | 5.13 | 5.49 | 5.94 | 6.44 | 6.65 | 6.87 | 7.44 |
| Wage % Increase | 1.07% | | 8.3% | 7.2% | 10.6% | 11.5% | 7.0% | 8.2% | 8.4% | 3.2% | 3.3% | 8.3% |
| Inflation Rate | 1.35% | | 3.4% | 8.7% | 12.2% | 7.0% | 4.8% | 6.8% | 9.0% | 13.4% | 12.5% | 12.0% |
| Fuel Prices 9/30 | | | .13 | .15 | .28 | .33 | .36 | .40 | .41 | .65 | .91 | 1.10 |
| % Increase - 9 years | 746% | | | | | | | | | | | |
| Budget of RTA (expenses) Consolidated | | | 38,910.00 | 41,620.00 | 49,590.00 | 57,980.00 | 67,880.00 | 78,330.00 | 79,710.00 | 88,480.00 | 93,030.00 | 115,000.00 |
| % Increase - 9 years | 196% | | | | | | | | | | | |

SCHEDULE A

TRANSIT LABOR COSTS

Senator D'AMATO. Continue, Mr. Shulman, please.

Mr. SHULMAN. I would like, in brief, to thank the Senator, not only for his aid and support now, but his attention to our family during his campaign.

You may not know it, but one day I walked into our television room and our daughter sneezed while one of your commercials was on television and you said, "God bless you."

Senator D'AMATO. Are you sure that wasn't my mother?

Mr. SHULMAN. First of all, I think there is some factors which you should understand in perhaps grasping Syracuse.

Annexed at the end of my statement is a schedule which shows you all of the subsidies. It is on the last page, the subsidies, and various cost levels over the last 10-year period in Syracuse.

The Central New York Regional Transportation Authority employs 413 people, and in a city like Syracuse is probably the seventh or eighth largest employer in the city and, as has been said many times previously today, 80 percent of our operating costs relate to labor.

In the Central New York Regional Transportation District we operate not only service within the city of Syracuse, which is somewhat more metropolitan, but also within the counties of Oswego, Onondaga, and Cayuga, which are smaller and extremely rural.

It was mentioned by Mayor Koch earlier this morning that not all of the riders of the MTA and New York City are as affluent as one might believe. In areas such as central New York, our riders tend to be far less affluent than those in the city of New York or in larger metropolitan areas, more dependent on mass transit. We estimate that 87 percent of our ridership represents sectors comprised of the elderly, the handicapped, the urban and rural poor, and the lower middle class transit-dependent riders.

Like all transportation authorities, we have been caught in a pinch of immense Federal regulatory bureaucracy, generated both from the Departments of Transportation and Labor. We have been struck hard by escalating oil, bus, and component part prices, and we have seen a decline in business and industry in the Northeast.

Yet we have managed to hold our ridership and our labor costs somewhat intact. I have listed many of the honors that the Central New York Regional Transportation Authority has won nationally, merely to show you that as an authority we really have been doing an effective job and have been recognized nationally as doing so. We, as an example, were one of the first, among others at the same time, one of the first transportation authorities in the United States to put in a demand-responsive service for the elderly and the handicapped, an alternative service, and I will mention briefly in a moment section 504 and how we feel that will affect us.

In 1980, as schedule A indicates, $2,914,000 was received from the Federal Government in operating aid; $2,914,000. This is slightly more than 50 percent of our total subsidies, approximately one-third of our consolidated 1980 fiscal year budget of approximately $9,303,000.

In 1981 we anticipate a budget estimated to be approximately $2 million higher, or approximately $11,500,000. And like the State of New York, our fiscal year commences on April 1.

In 1975 the State of New York gave our authority approximately $586,000. This is increased over 6 years to an estimated $2,633,000 in 1981, should the gross receipts tax be determined constitutional, which I don't believe anyone in this room considers a possibility.

Local governments have been especially helpful in the central New York region, especially as to the alternative demand-responsive service and local governments are now contributing between $900,000 and $1,014,000 to the combined operations of our authority.

We have always tried to hold our fare at 35 cents. Last year we were forced to raise our fare in the Syracuse area to 50 cents and in the rural areas to 40 cents. We find that that's fair because in many of the rural areas we are generating more for mortgage tax revenues and from county tax revenues than for the cost of service in those areas.

So we are trying hard to give money back to those areas, in terms of lower cost of transit.

In the rural areas one of the most effective plans that we have tried in Syracuse is something called the country shuttle, where we are taking the rural poor to nutrition centers. We have subscription service where people are going from Oswego County to the carrier corporation plant in Onondago County.

### EFFECT ON FAREBOX FROM CUT IN MASS TRANSIT

Senator D'AMATO. What would be the effect on your farebox with a cut of the mass transit, let's say, by 1983?

Mr. SHULMAN. Our fare would be between 75 cents and $1 a ride.

Senator D'AMATO. Right now you charge 50 cents?

Mr. SHULMAN. We have gone within the last year from 35 cents to 50 cents. What we have found is that although our revenues are increased, our ridership is declining and you have to ask yourself, in an area like Syracuse, when you are dealing with more transit-dependent people, who are you in business for?

We could operate on a cost-effective basis, if we trimmed our routes and operated only during peak times, but then we are not providing the public service that we were created to provide.

Wages, interestingly enough—and I am on page 6 of my statement, wages are increased over the last 10 years in Syracuse at a factor of 1.07, while inflation increased at a factor of 1.35. We have held the line on labor costs.

In 1971, a driver earning a top wage would have been paid $3.85 an hour. In 1981 we project this at $7.44 an hour. Fuel prices in 1972 were approximately 13 cents a gallon. We estimate this at $1.10 a gallon in 1981, which is a 746-percent increase.

Our consolidated budget has increased 196 percent.

Senator D'AMATO. You are saying, in effect, that if you have a loss of the operating revenues that you will have to cut back substantially on the number of miles that your buses now cover?

Mr. SHULMAN. Or raise the fares to such an extent that the people who need to take our service won't be able to afford to. There will be no alternative service for them, none whatsoever.

### DISCUSSION OF SECTION 504 IN SYRACUSE

I would like, finally, to discuss section 504, and portray for you, in the city of Syracuse, with its hills, with its snowy conditions, with its lack of sidewalks—this is also true in the more rural areas as well—a bus driver in a bus filled with about 40 passengers, leaving the wheel of his bus on this hill to help a person in a wheelchair onto a lift that may or may not be defective, into a holding device that most certainly is defective, while these 40 people are hoping that the bus isn't sliding downhill and an intersection may not be a problem with avoiding other sliding cars, in an area which I have stated earlier was one of the first in the United States and continues to provide an excellent alternative demand-response service.

Section 504 would be an ultimate disaster in a city like Syracuse. It would be a tremendous waste of money which would not be used. It hasn't been used historically in other areas and certainly would not be used.

I would like to conclude by stating that what we need most of all is a signal from Washington that mass transit is important. That it is business-productive, that the Congress of the United States stands behind it, as it has for so many years, and that the quality of mass transit service, whether by bus, light rail or the like, may continue to expand and improve in a setting which will permit it to give back to its local, State, and Federal communities, in economic and ecological terms, like karma, the benefits which it has received.

Thank you.

## NIAGARA FRONTIER TRANSPORTATION AUTHORITY

## STATEMENT OF ALLEN DEKDEBRUM, CHAIRMAN, NIAGARA FRONTIER TRANSPORTATION AUTHORITY

## ACCOMPANIED BY BOB DRACUP, COMPTROLLER, NIAGARA FRONTIER TRANSPORTATION AUTHORITY

### PREPARED STATEMENT

Senator D'AMATO. Representatives from Buffalo.

Mr. DEKDEBRUM. I am Allen Dekdebrum, chairman of the Niagara Frontier Transportation Authority, and I have brought Bob Dracup, my comptroller, with me.

Senator D'AMATO. I think you have submitted for the record your statement, Allen, and if you would like to touch on those things that you think are important or need attention. The statement will be inserted in the record at this point.

[The statement follows:]

## PREPARED STATEMENT OF ALLEN E. DEKDEBRUN, CHAIRMAN

### NIAGARA FRONTIER TRANSPORTATION AUTHORITY

THE NIAGARA FRONTIER TRANSPORTATION AUTHORITY IS A MULTI-PURPOSE AUTHORITY CHARGED WITH THE RESPONSIBILITY OF DEVELOPING AND IMPROVING AIR, RAIL, MARINE AND BUS TRANSPORTATION AND DEVELOPMENT AND IMPLEMENTATION OF A UNIFIED MASS TRANSPORTATION POLICY FOR THE TRANSPORTATION DISTRICT COMPRISING ERIE AND NIAGARA COUNTIES.

CREATED IN 1967, THE AUTHORITY, WHICH IS GOVERNED BY A CHAIRMAN AND TEN COMMISSIONERS, ASSUMED OPERATION OF GREATER BUFFALO INTERNATIONAL AIRPORT AND THE PORT OF BUFFALO FROM ITS PREDECESSOR, THE NIAGARA FRONTIER PORT AUTHORITY, IN 1967. NIAGARA FALLS AIRPORT WAS SUBSEQUENTLY ACQUIRED IN 1970.

NIAGARA FRONTIER TRANSIT METRO SYSTEM, INC., A SUBSIDIARY PUBLIC BENEFIT CORPORATION, WAS CREATED IN 1973 AND ACQUIRED THE MAJOR BUS COMPANY SERVING THE CITY OF BUFFALO ON APRIL 1, 1974, THE BUS OPERATION SERVING THE CITY OF NIAGARA FALLS ON MAY 12, 1974 AND FOUR OTHER SMALLER BUS COMPANIES OPERATING IN THE TRANSPORTATION DISTRICT BY MARCH 1975.

THE BASIC BUS FARE WAS REDUCED FROM FORTY-FIVE CENTS TO FORTY CENTS ON JUNE 1, 1974 AND WAS MAINTAINED, WITH THE AID OF STATE AND FEDERAL OPERATING ASSISTANCE, AT THAT LEVEL UNTIL SEPTEMBER 30, 1979. HOWEVER, CONTINUALLY HIGHER COSTS FORCED THE AUTHORITY TO INCREASE ITS BASIC FARE TO FIFTY CENTS ON OCTOBER 1, 1979 IN ORDER TO PRODUCE THE ADDITIONAL REVENUES NECESSARY TO BALANCE THE BUS COMPANY'S OPERATING BUDGET.

SIGNIFICANT IMPROVEMENTS BY THE AUTHORITY IN THE MASS TRANSPORTATION AREA INCLUDE COMPLETION OF A NEW BUS GARAGE IN NIAGARA FALLS IN APRIL 1977 AT A COST OF $1.9 MILLION, COMPLETION OF A NEW METROPOLITAN TRANSPORTATION CENTER IN DOWNTOWN BUFFALO IN SEPTEMBER 30, 1977 AT A COST OF $9 MILLION, AND REDUCTION OF THE AVERAGE BUS LIFE OF 11.7 YEARS IN 1974 TO A CURRENT AVERAGE LIFE OF 9.6 YEARS BY ACQUISITION OF 191 NEW BUSES AT A COST OF $14.8 MILLION. PROJECTS IN PROGRESS INCLUDE CONSTRUCTION OF A 6.4 MILE LIGHT RAIL RAPID TRANSIT SYSTEM LINE IN THE CITY OF BUFFALO BUDGETED AT $450 MILLION, AND REPLACEMENT OF AN ANTIQUATED BUS GARAGE WITH A NEW $9.5 MILLION FACILITY.

HOWEVER, A COMBINATION OF PROPOSED FEDERAL PHASE-OUT OF OPERATING ASSISTANCE AND DECREASE IN CAPITAL FUNDING AND ANTICIPATED CONTINUANCE OF THE UPWARD SPIRAL INDICATE THAT ONE OR MORE OF THE FOLLOWING ACTIONS WILL BE REQUIRED TO OFFSET PROJECTED AUTHORITY OPERATING DEFICITS AND PROVIDE CAPITAL NEEDS:

1. SIGNIFICANT FEDERAL, STATE AND/OR LOCAL GOVERNMENT ASSISTANCE ENHANCEMENT.
2. SUBSTANTIAL FARE INCREASES.
3. CONSIDERABLE COST DECREASES BY WAY OF SERVICE REDUCTIONS AND OTHER MEANS.
4. A COMBINATION OF THE ABOVE.

THE AUTHORITY'S PROJECTED MASS TRANSPORTATION NEEDS FOR THE FIVE YEARS ENDING MARCH 31, 1986 INDICATE THAT SUBSTANTIAL SUMS WILL BE REQUIRED TO PROVIDE REASONABLY MODERN AND COMFORTABLE RIDERSHIP VEHICLES, REPLACE ANTIQUATED AND INEFFICIENT BUS GARAGE FACILITIES, COMPLETE THE LIGHT RAIL RAPID TRANSIT LINE AS ORIGINALLY CONTEMPLATED, AND MAINTAIN FARES AT A REASONABLE LEVEL.

NECESSARY CAPITAL PROJECTS INCLUDE THE FOLLOWING:

BUS GARAGE AND SHOP REPLACEMENT

POOR PHYSICAL AND ENVIRONMENTAL CONDITION OF OUR BUS MAINTENANCE FACILITIES IS A MAJOR CONCERN. BRIEFLY, OUR MAINTENANCE AND STORAGE FACILITIES CONSISTED OF A NEW SATELLITE FACILITY IN NIAGARA FALLS AND THREE FACILITIES IN THE BUFFALO URBANIZED AREA. THE LATTER THREE STRUCTURES WERE ERECTED IN THE LATE 1880's AND WERE IN AN ADVANCED STATE OF DETERIORATION. WE HAVE SECURED FULL FEDERAL AND STATE FUNDING FOR REPLACEMENT OF THE MOST DETERIORATED FACILITY, FRONTIER GARAGE. CONSTRUCTION IS CURRENTLY IN PROGRESS AND WE EXPECT TO OCCUPY THE FACILITY IN THE LATTER PART OF 1981.

WITH REGARD TO THE REMAINING TWO FACILITIES, BROADWAY GARAGE AND COLD SPRING GARAGE AND SHOP FACILITY, WE INTEND TO DEVELOP A CAPITAL IMPROVEMENTS PROGRAM FOR THEIR REPLACEMENT OR EXTENSIVE REHABILITATION, AS JUSTIFIED. AN ENGINEERING FIRM HAS BEEN RETAINED TO MAKE THIS EVALUATION AND WE SHOULD HAVE THEIR RECOMMENATIONS THIS SUMMER. THE STUDY COULD LEAD TO CAPITAL NEEDS IN THE $63 MILLION RANGE FOR REPLACEMENT OF THESE FACILITIES.

GIVEN THE SUBSTANTIAL AMOUNT OF MONEY NECESSARY AND LEAD TIME REQUIRED FOR LONG TERM SOLUTIONS TO THE PHYSICAL PLANT DEFICIENCIES AND THE NEED TO EFFICIENTLY OPERATE THESE FACILITIES IN THE INTERIM, WE HAVE BEEN FORCED TO UNDERTAKE NECESSARY REPAIRS AND IMPROVEMENTS. WITH THE FINANCIAL ASSISTANCE OF THE STATE OF NEW YORK AND THE USE OF FEDERAL SECTION 5. FUNDING, WE HAVE BEEN ABLE TO ACCOMPLISH NECESSARY REPAIRS, SOME OF WHICH HAVE BEEN MAJOR. THESE PROJECTS HAVE BEEN UNDERTAKEN ONLY IF THEY ARE OF AN EMERGENCY NATURE OR OF A TYPE THAT CAN BE UTILIZED IN A NEW STRUCTURE. IN SUMMARY, WE MUST CONTINUE TO MAINTAIN OUR OPERATIONS WHILE PLANNING FOR A LONG TERM SOLUTION TO OUR PHYSICAL PLANT NEEDS.

## BUS PURCHASE

THE AUTHORITY'S PRESENT AVERAGE BUS AGE IS APPROXIMATELY TEN YEARS COMPARED TO A REASONABLE AVERAGE OPERATING AGE OF SEVEN-AND-A-HALF YEARS. CURRENT REPLACEMENTS AT A RATE OF TWENTY BUSES PER YEAR ARE NOT ADEQUATE TO ACHIEVE THE DESIRED AVERAGE AGE. WE ESTIMATE THAT AN ADDITIONAL PURCHASE OF ONE HUNDRED TWO BUSES WILL BE REQUIRED BY THE END OF FISCAL YEAR MARCH 31, 1984 AT AN ESTIMATED COST OF $19 MILLION IN ORDER TO ACHIEVE A BUS FLEET AVERAGE AGE OF SEVEN-AND-A-HALF YEARS AT ABOUT THE SAME TIME THAT THE NEW LIGHT RAIL RAPID TRANSIT LINE BECOMES OPERATIONAL, AND THAT TWENTY THREE BUS REPLACEMENTS PER YEAR, COSTING APPROXIMATELY $5 MILLION PER ANNUM, WILL BE REQUIRED IN SUBSEQUENT YEARS TO MAINTAIN THE SEVEN-AND-A-HALF YEAR AVERAGE LIFE.

## LIGHT RAIL RAPID TRANSIT CONSTRUCTION

CONSTRUCTION OF THE 6.4 MILE LIGHT RAIL RAPID TRANSIT LINE IN BUFFALO IS SCHEDULED FOR COMPLETION IN THE LATTER PART OF 1984, AND CONTINUATION OF THE BASIC LINE INTO THE HEAVILY POPULATED SUBURBS, AS ORIGINALLY CONTEMPLATED, WOULD LOGICALLY FOLLOW. ROUGH ESTIMATES INDICATE THAT SUCH EXTENSIONS WOULD COST APPROXIMATLEY $808 MILLION.

## CAPITAL COST SUMMARY

PROJECTED CAPITAL COSTS PREVIOUSLY MENTIONED AMOUNT TO:

| | |
|---|---|
| BUS AND BUS RELATED | $ 92 MILLION |
| LIGHT RAIL RAPID TRANSIT | 808 MILLION |
| TOTAL | $ 900 MILLION |

PROPOSED PHASE-OUT OF FEDERAL OPERATING ASSISTANCE FUNDS WOULD REQUIRE IMPOSITION OF SUBSTANTIAL FARE INCREASES COMMENCING IN THE AUTHORITY'S

FISCAL YEAR APRIL 1984 - MARCH 1985 BASED ON PROJECTED REVENUES, EXPENSES AND STATE/LOCAL ASSISTANCE CONSISTENT WITH CURRENT LEGISLATION, AS SET FORTH IN ATTACHED EXHIBIT A.

THE FARE BOX IMPACT MAY BE LESSENED IF PROPOSED LEGISLATION CONCERNING A FAIR FARE POLICY IS ENACTED BY THE STATE OF NEW YORK. HOWEVER, SUCH A PLAN WOULD NEVERTHELESS REQUIRE SUBSTANTIAL FARE INCREASES COMMENCING IN THE AUTHORITY'S FISCAL YEAR 84-85 AND WOULD PASS THE SHORTFALL ON TO NEW YORK STATE AND ERIE AND NIAGARA COUNTY TAXPAYERS, AS ILLUSTRATED ON ATTACHED EXHIBIT B.

IT IS OUR OPINION THAT MAXIMUM USE OF MASS TRANSPORTATION FACILITIES WORKS TOWARDS NATIONAL GOALS SUCH AS FUEL CONSERVATION AND ENVIRONMENTAL ENHANCEMENT AND THAT THE FEDERAL GOVERNMENT, ACCORDINGLY, SHOULD CONTINUE TO SHARE IN THE COST OF OPERATING SUCH MODES. PERHAPS A STIPULATED PERCENTAGE OF FEDERAL PARTICIPATION IN OPERATING COSTS, SIMILAR TO THAT PROPOSED BY THE STATE OF NEW YORK'S FAIR FARE PLAN, WOULD BEST SERVE THE RIDING PUBLIC, THE FEDERAL GOVERNMENT, AND THE TAXPAYERS OF NEW YORK STATE.

I AM ACUTELY AWARE OF HOW IMPORTANT MASS TRANSPORTATION IS TO THE WELL-BEING OF THE NATION AS A WHOLE. WE MUST ALL BE COMMITTED TO EFFICIENT, ECONOMICAL QUALITY SERVICE THROUGHOUT THE NATION. TRANSPORTATION MUST BE CONSIDERED IN THIS NATIONAL CONTEXT IF WE ARE TO BE SUCCESSFUL IN FACING THE CHALLENGES, AND MEETING THE GOALS WE HAVE SET FOR SERVICE TO THE PUBLIC. I AM CONFIDENT THAT, WORKING TOGETHER, WE CAN DEVELOP A CONCERTED, COOPERATIVE APPROACH TO THE CRITICAL CHOICES FACING PUBLIC TRANSPORTATION TODAY AND THAT TOGETHER, WE CAN GET THE JOB DONE.

THANK YOU VERY MUCH.

EXHIBIT A

Niagara Frontier Transit Metro System, Inc.
Projected Operating Assistance Needs
Fiscal Years Ending March 31, 1982 through March 31, 1986

| | 3/82<br>$ | 3/83<br>$ | 3/84<br>$ | 3/85*<br>$ | 3/86<br>$ |
|---|---|---|---|---|---|
| Operating revenues @ 50¢ fare level | 16,252 | 17,219 | 18,245 | 20,842 | 23,516 |
| Operating expenses, excluding depreciation | 32,578 | 35,755 | 39,726 | 48,700 | 59,200 |
| Net loss before operating assistance | (16,326) | (18,536) | (21,481) | (27,858) | (35,684) |
| Anticipated non-Federal operating assistance: | | | | | |
| New York State - basic | 2,381 | 2,381 | 2,381 | 2,381 | 2,381 |
| - 2% gross profits tax | 3,650 | 4,015 | 4,417 | 4,859 | 5,345 |
| Erie and Niagara Counties | 1,770 | 1,770 | 1,770 | 1,770 | 1,770 |
| | 7,801 | 8,166 | 8,568 | 9,010 | 9,496 |
| Net loss before Federal operating assistance | ( 8,525) | (10,370) | (12,913) | (18,848) | (26,188) |
| Estimated Federal operating assistance, assuming phase-out by 1985 | 8,525 | 10,370 | 11,706 | 5,306 | - |
| Net loss after Federal operating assistance | - | - | ( 1,207) | ( 13,542) | (26,188) |
| Estimated basic fare levels: | | | | | |
| Current fare level | $ .50 | $ .50 | $ .50 | $ .50 | $ .50 |
| Additional fare to cover projected deficits | - | - | .05 | .70 | 1.30 |
| Totals | $ .50 | $ .50 | $ .55 | $ 1.20 | $ 1.80 |

* Assumes commencement of LRRT operation on October 1, 1984

# EXHIBIT B

## Niagara Frontier Transit Metro System, Inc.
## Estimated Fair Fare Policy Impact
## Fiscal years 4/1/82-3/31/83 through 4/1/85-3/31/86

| | 4/1/82 - 3/31/83 $ | 4/1/83 - 3/31/84 $ | 4/1/84 - 3731/85 $ | 4/1/85 - 3/31/86 $ |
|---|---|---|---|---|
| Operating expenses, excluding depreciation | 35,755 | 39,726 | 48,700 | 59,200 |
| Less non-fare box revenue | ( 210) | ( 223) | ( 236) | ( 250) |
| | 35,545 | 39,503 | 48,464 | 58,950 |
| Federal operating assistance | ( 9,377) | (10,315) | ( 7,690) | - |
| Other funding base | 26,168 | 29,188 | 40,774 | 58,950 |
| Other funding shares: | | | | |
| Farebox - 66%, 65%, 64%, and 62%, resp. | 17,270 | 18,972 | 26,095 | 36,549 |
| State - 18%, 19%, 20%, and 22%, resp. | 4,711 | 5,546 | 8,155 | 12,969 |
| Counties - 16% all years | 4,187 | 4,670 | 6,524 | 9,432 |
| | 26,168 | 29,188 | 40,774 | 58,950 |
| Projected operating revenues @ 50¢ fare level | 17,215 | 18,245 | 20,842 | 23,516 |
| Less non-fare box revenues | ( 210) | ( 223) | ( 236) | ( 250) |
| Estimated farebox and school revenues | 17,009 | 18,022 | 20,606 | 23,266 |
| Farebox shares - per above | 17,270 | 18,972 | 26,095 | 36,549 |
| Additional farebox and school revenues required | 261 | 950 | 5,489 | 13,283 |
| Estimated fare increase over present 50¢ fare | - | 5¢ | 25¢ | 65¢ |
| Estimated adjusted fare | 50¢ | 55¢ | 75¢ | $1.15 |

## FEDERAL OPERATING ASSISTANCE

Senator D'AMATO. Continue, Mr. Dekdebrum, please.

Mr. DEKDEBRUM. I will be brief.

We provide transportation, service and facilities for the two counties of Erie and Niagara.

Page 5 shows our projected capital costs of $900 million, $92 million for our bus and bus-related items, and $808 million to complete the light rail rapid transit project which we have started.

If you will look on exhibit A, it will show that if revenues continue as they are, assistance continues as it is, and assuming the 2-percent gross profit tax would continue, we show that we could hold or present fare of 50 cents through 1983. It would to to 55 cents in 1984, $1.20 in 1985, and $1.80 in 1986 when the Federal Government ceases to give operating assistance.

Exhibit B gives you an analysis of the situation that would exist if the State goes through with its farebox program, and that shows that we could maintain the 50-cent fare, present fare through 1983. It would go to 55 cents in 1984, 75 cents in 1985, and $1.15 in 1986.

You have heard many gentlemen speak to you about the problems, Senator. I am not going to elaborate on them. We have problems like everyone else.

Senator D'AMATO. Let me ask you this: if the operating assistance is cut down in 1983, you project an increase then of what percent?

Mr. DEKDEBRUM. We have the project through 1986. If we are told correctly the Federal Government isn't going to——

Senator D'AMATO. First start in 1983.

Mr. DEKDEBRUM. Right.

And they are not going to completely eliminate Federal assistance until 1986.

Senator D'AMATO. Let's take your 1985 figure, $1.20.

What will that do to your ridership?

Mr. DEKDEBRUM. We project at least a 15-percent decrease in ridership, should that figure go to $1.20.

Senator D'AMATO. That's using a 15-percent decrease.

Mr. DEKDEBRUM. As you know, Senator, you were in Buffalo yesterday, we are a city reborn. We are on the way back. Our downtown areas is developing at a rapid rate. Rapid transit system will be complete, the first phase in 1984, and this could have a very detrimental effect on the future of the city of Buffalo.

Senator D'AMATO. Fortunately, Buffalo does have that equipment for a first link in the light rail system. I think it is essential that that be continued because the real passengers won't be picked up until you get that second 6-mile link, and then you will have the ability to bring more people in.

Mr. DEKDEBRUM. We have over 600,000 people in the suburban areas where we want to put the extensions.

Senator D'AMATO. Thank you very much for your testimony.

## ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

### STATEMENT OF JOSPEH SILIEN, EXECUTIVE DIRECTOR, ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

### PREPARED STATEMENT

Senator D'AMATO. From Rochester, Mr. Silien, executive director of the transit authority.

Mr. SILIEN. Thank you, Senator D'Amato.

I would like to echo and perhaps highlight a little bit of what my colleagues have said, both from upstate and across the country. I appreciate the opportunity to come and speak with you today on this subject that we all have been talking about and that is the need for continued financial support of public transportation.

I have submitted a lengthy statement for the record which includes some financial authorities and projections and I would just highlight those a little bit now.

Senator D'AMATO. The statement will be inserted in the record at this point.

[The statement follows:]

## PREPARED STATEMENT OF JOSEPH S. SILEN, EXECUTIVE DIRECTOR

## ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

SENATOR D'AMATO, LADIES AND GENTLEMEN. MY NAME IS JOSEPH SILIEN AND I AM THE EXECUTIVE DIRECTOR OF THE ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY (R-GRTA) WHICH SERVES THE ROCHESTER, NEW YORK AREA.

I APPRECIATE THE OPPORTUNITY TO COME BEFORE YOU TODAY TO DISCUSS A MATTER OF CRITICAL IMPORTANCE TO OUR COMMUNITY AND TO OTHERS THROUGHOUT THE STATE AND ACROSS THE NATION--THE NEED FOR CONTINUED FINANCIAL SUPPORT OF PUBLIC TRANSPORTATION.

WITH YOUR PERMISSION I WOULD LIKE TO PREFACE MY REMARKS WITH A BRIEF REVIEW OF THE R-GRTA AND OUR EFFORTS IN ROCHESTER AND THE ROCHESTER-GENESEE REGION WHERE MANY POSITIVE ACCOMPLISHMENTS HAVE BEEN ACHIEVED.

IN 1969, THE R-GRTA WAS CREATED BY THE STATE OF NEW YORK AND GIVEN THE RESPONSIBILITY OF DEVELOPING AND IMPROVING PUBLIC TRANSPORTATION IN AN EIGHT-COUNTY REGION.

AS ONE OF ITS FIRST ACTS, THE AUTHORITY PURCHASED REGIONAL TRANSIT SERVICE, THE METROPOLITAN AREA'S BUS SYSTEM, FROM THE CITY OF ROCHESTER. TWO YEARS EARLIER, THE CITY HAD TAKEN OVER THE FALTERING PRIVATE BUS COMPANY USING FEDERAL CAPITAL GRANT FUNDS. THE DEBT INCURRED WITH THAT PURCHASE HAS BEEN FULLY REPAID. A NEW OPERATIONS CENTER HAS BEEN CONSTRUCTED, AND THE SYSTEM HAS BEEN DRAMATICALLY IMPROVED AND EXPANDED SINCE THAT TIME. SYSTEM ROUTE MILES HAVE INCREASED FROM 222 TO 650. A SUCCESSFUL PARK AND RIDE COMMUTER EXPRESS NETWORK SERVING 26 COMMUNITES HAS BEEN DEVELOPED, AND PUBLIC TRANSIT HAS BEEN MADE AVAILABLE TO RESIDENTS OF SEVERAL SURROUNDING RURAL COUNTIES WITH THE IMPLEMENTATION OF THREE ESPECIALLY TAILORED SMALL BUS SYSTEMS.

IN ROCHESTER AND ITS IMMEDIATE SUBURBS, WE ARE VERY

PROUD OF OUR LIFT LINE SERVICE WHICH HAS BEEN DEVELOPED TO CARRY DISABLED RESIDENTS AND SENIOR CITIZENS WITH CURB-TO-CURB SERVICE USING SMALL, LIFT-EQUIPPED VEHICLES.

SINCE 1979, REGIONAL TRANSIT SERVICE HAS EXPERIENCED A STEADY GROWTH IN RIDERSHIP. DURING FISCAL YEAR 1979/1980, RTS CARRIED 23 MILLION PASSENGERS. DURING THE PAST TWELVE MONTHS, 25.7 MILLION PASSENGERS USED THE SYSTEM. INDICATIONS POINT TOWARD A CONTINUATION OF THIS DRAMATIC "RETURN TO TRANSIT".

THE LEVEL OF SERVICE WE PROVIDE IN OUR METROPOLITAN AREA IS AMONG THE BEST IN THE NATION FOR CITIES OUR SIZE AND EVEN LARGER. OUR COST RECOVERY FROM THE FAREBOX IS ALSO ABOVE THE NATIONAL AVERAGE. WE READ THAT CALIFORNIA SYSTEMS ARE STRUGGLING TO ATTAIN 20 PERCENT RECOVERY, AND NOTED RECENTLY THAT A MAJOR OHIO SYSTEM IS NOW ACHIEVING 30 PERCENT RECOVERY FROM FARES. RTS RECOVERS 50 PERCENT OF ITS COSTS FROM PASSENGER FARES.

BY EVERY MEASURE, PUBLIC TRANSIT IN ROCHESTER IS MEETING THE GROWING DEMANDS PLACED UPON IT. YET, HOW IRONIC IT IS THAT ONE MONTH AGO WE NARROWLY AVERTED A TOTAL SHUTDOWN OF RTS OPERATIONS DUE TO A LACK OF NECESSARY FUNDING.

AN ADVANCE PAYMENT OF STATE MANDATED MATCHING ASSISTANCE BY THE COUNTY OF MONROE REPRESENTED AN "ELEVENTH HOUR SOLUTION" THAT HAS PERMITTED CONTINUED OPERATION. THIS ACTION WAS BY NO MEANS A "PANACEA", BUT RATHER A TEMPORARY, STOP-GAP RESPONSE AT BEST. WE ENTERED OUR NEW FISCAL YEAR APRIL 1, CONFRONTED WITH A DEEPENING FINANCIAL CRISIS WHICH SERIOUSLY THREATENS OUR ABILITY TO PROVIDE CURRENT LEVELS OF SERVICE AND FARES THROUGH THE NEXT TWELVE MONTH PERIOD, LET ALONE EXPAND SERVICES WHERE THEY ARE NEEDED.

FOR TRANSIT IN ROCHESTER, THROUGHOUT NEW YORK STATE AND THE ENTIRE NATION, IT IS TRULY "THE BEST OF TIMES AND THE WORST OF TIMES". AT A TIME WHEN MORE AND MORE PEOPLE ARE TURNING TO PUBLIC TRANSIT AS THE ALTERNATIVE TO SOARING PERSONAL TRANSPORTATION COSTS, WE ARE FACED WITH RAPIDLY MOUNT-

ING OPERATIONAL DEFICITS AND A GROWING INABILITY TO MATCH DEMANDS FOR SERVICES WITH ABILITY TO FINANCE THEM.

THE PROSPECT OF A TOTAL LOSS OF FEDERAL TRANSIT OPERATING ASSISTANCE UNDER A PROGRAM OF GRADUAL PHASE-OUT PROPOSED BY PRESIDENT REAGAN, WOULD HAVE A DEVASTATING AND LASTING NEGATIVE IMPACT ON THE TRANSIT SYSTEM, WHICH ALREADY FINDS ITSELF STRUGGLING AT THE THRESHOLD OF WHAT IS UNDOUBTEDLY A NEW ERA OF DEPENDENCE BY MANY OF OUR CITIZENS.

FOR ROCHESTER, THE LOSS OF THE FEDERAL GOVERNMENT'S SECTION 5 MATCHING ASSISTANCE WOULD REPRESENT ABOUT 20 PERCENT OF THE OPERATING BUDGET FOR FISCAL 1981/1982. REGIONAL TRANSIT SERVICE HAS BUDGETED $4.4 MILLION IN FEDERAL ASSISTANCE DURING THE NEXT 12 MONTHS. ONE CANNOT CLAIM THAT THE BURDEN IS UNCLE SAM'S ALONE. AS I HAVE STATED, PASSENGER FARES ALREADY COVER A VERY HIGH PROPORTION OF COSTS AND MAY BE EXPECTED TO INCREASE AS COSTS INCREASE. A GREATER PORTION OF OPERATING ASSISTANCE IS ALREADY BEING CONTRIBUTED BY STATE AND LOCAL GOVERNMENTS THAN BY THE FEDERAL PROGRAM. BUT THAT FEDERAL AID NEVERTHELESS REMAINS ESSENTIAL IF TRANSIT IS TO CONTINUE TO PLAY AN INCREASINGLY IMPORTANT ROLE, PARTICULARLY IN NORTHEASTERN CITIES WHERE THE "TRANSIT HABIT" IS ALREADY WELL-ESTABLISHED.

AS DETAILED IN THE FINANCIAL TABLES WHICH I WILL SUBMIT WITH THESE REMARKS, PASSENGER FARES ARE EXPECTED TO PRODUCE $9.7 MILLION DURING THE CURRENT YEAR. $702 THOUSAND IN MATCHING FUNDS WILL BE DERIVED FROM PARTICIPATING COUNTIES. R-GRTA WILL CONTRIBUTE $360 THOUSAND FROM THE APPROXIMATELY $1 MILLION IT RECEIVES FROM A FRACTIONAL PERCENTAGE OF MORTGAGE RECORDING TAXES COLLECTED IN MEMBER COUNTIES DESIGNED TO SUPPORT THE AUTHORITY AND ITS ACTIVITIES THROUGH THE REGION. NEW YORK STATE IS EXPECTED TO PROVIDE $1.4 MILLION THROUGH EXECUTIVE BUDGET APPROPRIATIONS AND $3.4 MILLION IN RECEIPTS FROM THE IMPOSITION OF A 2 PERCENT GROSS RECEIPTS TAX ON OIL COMPANIES.

EVEN WITH ALL OF THESE VARIOUS PIECES OF OPERATING ASSISTANCE, THE FINANCIAL PROJECTION THROUGH NEXT MARCH 31 SHOWS RTS WITH AN UNFUNDED DEFICIT OF $1.2 MILLION IF CURRENT FARES AND SERVICES ARE TO BE PRESERVED.

WHILE NEW YORK GOVERNOR HUGH CAREY, COMMISSIONER OF TRANSPORTATION WILLIAM HENNESSY AND THE STATE LEGISLATURE ARE TO BE COMMENDED FOR THEIR EFFORT TO PUT INTO PLACE A PERMANENT FUNDING PROGRAM FOR TRANSIT, THE PROPOSED STATE PROGRAM IS PREDICATED ON THE CONTINUED FLOW OF FEDERAL FUNDS.

AS YOU CAN SEE, THE FUTURE OF PUBLIC TRANSIT IN ROCHESTER RESTS ON A TENUOUS MIX OF FEDERAL, STATE, AND LOCAL ASSISTANCE. SERVICE AS IT IS PRESENTLY OPERATED CANNOT WITHSTAND THE LOSS OF ANY OF THESE VITAL SOURCES OF FUNDING.

ALREADY CONFRONTED WITH THE PROJECTION OF A SUBSTANTIAL UNFUNDED DEFICIT IN THIS FISCAL YEAR, THE RTS FINANCIAL PICTURE GROWS EVEN DARKER WITHOUT FEDERAL AID. TO ILLUSTRATE, IN FISCAL YEAR 1984/1985, RTS WILL HAVE AN OPERATING BUDGET OF $28.7 MILLION. EVEN WITH THE CONTINUATION OF FEDERAL SECTION 5 OPERATING ASSISTANCE AT CURRENT (NOT INCREASING) LEVELS, IF CURRENT FARES WERE TO BE MAINTAINED, THE UNFUNDED DEFICIT WOULD BE NEARLY $9 MILLION. IF FARES ARE INCREASED BY THAT TIME TO $1.00, THE UNFUNDED DEFICIT WOULD STILL STAND AT $4.3 MILLION.

WITHOUT FEDERAL ASSISTANCE, IN FISCAL YEAR 1984/1985 WITH FARES AT $1.00, THE UNFUNDED DEFICIT WOULD BE $8.7 MILLION.

THE ADMINISTRATION'S CONTENTION THAT PUBLIC TRANSIT MUST BE OPERATED EITHER TOTALLY FROM FAREBOX REVENUES, OR FROM A COMBINATION OF LOCAL FUNDING AND OPERATING REVENUES SEEMS UNREALISTIC, AND REFLECTS A DENIAL OF NEARLY THREE DECADES OF PUBLIC POLICY ADVOCATED BY REPUBLICAN AND DEMOCRATIC ADMINISTRATIONS ALIKE. WE MUST NOT FORGET THAT FEDERAL PROGRAMS THEMSELVES WERE IN PART RESPONSIBLE FOR THE DECLINE OF TRANSIT AS A PRIVATE BUSINESS. AS LONG AGO AS THE 1930'S, FEDERAL POLICY DICTATED THAT ELECTRIC UTILITIES DIVEST THEMSELVES OF

SUBSTANTIAL TRANSIT OPERATIONS, THUS REMOVING A MAJOR SOURCE OF INVESTMENT CAPITAL FROM THE INDUSTRY. MORE RECENTLY, THE FINANCING OF A VAST HIGHWAY PROGRAM FOSTERED A SUBURBAN LIFE-STYLE WHERE INDIVIDUAL MOBILITY AND SPRAWL DIMINISHED TRANSIT'S ABILITY TO SERVE BY SPREADING POPULATION DENSITY TOO THIN.

EVENTUALLY, IN RECOGNITION THAT TRANSIT SERVICES WERE LITERALLY DISAPPEARING ACROSS THE COUNTRY, FEDERAL POLICY WAS SLOWLY REVERSED. FIRST, THROUGH DEMONSTRATION AND CAPITAL FUNDING, AND LATER THROUGH OPERATING AID, TRANSIT WAS RECOGNIZED BY THE FEDERAL GOVERNMENT AS AN ESSENTIAL PUBLIC SERVICE WHICH HOWEVER WELL-RUN, HOWEVER ATTRACTIVE, SIMPLY COULD NOT COMPETE AS PRIVATE BUSINESS.

NOW, WITH ONE BROAD BRUSHSTROKE, THE COMPLEX PALLETTE OF PROGRAMS AND PHILOSOPHY HAS BEEN OBLITERATED, POTENTIALLY RESTORING TRANSIT TO THE "ENDANGERED SPECIES" LIST.

IT IS ESPECIALLY IMPORTANT THAT ASSISTANCE BE PRESERVED FOR THOSE SYSTEMS, PRIMARILY IN THE NORTHEAST OR IN THE LARGER CITIES, WHERE THE INVESTMENT HAS PROVEN TO BE A WISE ONE--PROVEN THROUGH INCREASING RIDERSHIP AND REASONABLE FAREBOX RECOVERY. OTHERWISE, THE ULTIMATE RESULT MAY BE LOSS OF ALL BUT PEAK HOUR TRANSIT SERVICE AT FARES WHICH WILL EFFECTIVELY DISCOURAGE ITS USE. PASSENGERS WHO RIDE BY CHOICE WILL UNDOUBTEDLY RETURN TO THEIR CARS. BUT WHAT ABOUT THE THOUSANDS OF DISADVANTAGED, LOW-INCOME RIDERS, THE VERY YOUNG AND THE VERY OLD AND THE DISABLED FOR WHOM THERE WOULD BE LITTLE IF ANY ALTERNATIVE TO TRANSIT, AND CERTAINLY NONE AT A PRICE THEY COULD AFFORD.

THE CRISIS IN OPERATING ASSISTANCE IS ONLY PART OF THE STORY. IN ADDITION, THERE IS THE CONTINUING NEED FOR REPLACEMENT OF EXISTING VEHICLES AND EQUIPMENT, AND FOR THE DEVELOPMENT AND IMPLEMENTATION OF NEW PROGRAMS TO MEET THE INCREASED DEMANDS BEING PLACED ON PUBLIC TRANSPORTATION. WORKING TOWARD THESE GOALS, THE R-GRTA IS CURRENTLY INVOLVED IN SEVERAL SPECIAL PROGRAMS.

First, R-GRTA has been working to establish a modest suburban rail demonstration project between Rochester and the Monroe County suburban community of Brockport, using Conrail tracks through a cooperative agreement. Our negotiations progressed smoothly, if slowly, until recently when tax-supported Conrail indicated that further estimates of costs to us for improvements to the railroad would not be provided unless the railroad was reimbursed for those estimates. This position contradicts Conrail's previous promise to provide the information, and has effectively stopped the project. It seems odd that Conrail should charge for providing information which could ultimately result in additional revenue for them.

A second project involves the efforts of the Authority and the City of Rochester in the development of a proposed Transit/Pedestrian Mall for downtown Rochester as part of a major redevelopment program. Preliminary design and engineering funds have already been sought from the Urban Mass Transportation Administration.

This major innovation along Rochester's Main Street would do much to make the City's central business district a more attractive environment in which to work and shop and would also vastly improve transit operations by providing for the easy movement of the 1600 RTS vehicle trips which pass through the downtown area.

Bus stops would be arranged to avoid the serious problems of overcrowding now experienced especially during rush hours. Heated, lighted passenger shelters and greatly improved passenger information would be provided. The proposed elimination of the Federal Urban Initiatives program threatens this worthwhile project.

Finally, we are involved in a project that would, if it becomes reality, have a significant impact on the future of public transit in Rochester by potentially reconfiguring the entire system.

UNDER A FEDERAL PLANNING GRANT, A FEASIBILITY AND DESIRABILITY STUDY IS UNDERWAY TO ASSESS POSSIBLE IMPLEMENTATION OF A NEW TRANSIT SYSTEM ALONG AN EXISTING NORTH/SOUTH CORRIDOR THROUGH THE CITY AND SOUTHERN SUBURBS.

CONSULTANTS ARE NOW CONDUCTING THE STUDY WITH EMPHASIS ON SEVERAL ALTERNATIVES INCLUDING CONSTRUCTION OF AN EXCLUSIVE BUSWAY AND A LIGHT RAIL SYSTEM.

SUCH A CORRIDOR SYSTEM COULD SERVE AS THE SPINE OF A TOTALLY INTEGRATED NETWORK OF PUBLIC TRANSIT SERVICES AT A FRACTION OF THE COST INCURRED BY SIMILAR PROJECTS NOW COMPLETED OR UNDERWAY. THIS MAY BE POSSIBLE BECAUSE VIRTUALLY THE ENTIRE RIGHT-OF-WAY EXISTS WITHOUT THE NEED TO PERFORM ANY COSTLY TUNNELING. THE PROSPECT OF OBTAINING FEDERAL CONSTRUCTION FUNDS, SHOULD THE ANALYSIS INDICATE THAT LIGHT RAIL IS DESIRABLE, IS NOT OPTIMISTIC IN LIGHT OF THE ADMINISTRATION'S PROPOSAL THAT THERE WILL BE NO NEW RAIL STARTS. WE SUBMIT THAT IT IS IMPROPER AND IMPRUDENT TO MAKE SUCH DECISIONS ON THE BASIS OF TECHNOLOGY, RATHER THAN COST EFFECTIVENESS.

FOR EXAMPLE, COST PROJECTIONS MAY SHOW THAT A LIGHT RAIL SYSTEM COULD BE PUT INTO OPERATION IN ROCHESTER FOR LESS THAN THE COST OF CONSTRUCTING AN EXCLUSIVE BUSWAY. YET, UNDER CURRENT ADMINISTRATION GUIDELINES, THE BUSWAY MIGHT SUCCEED IN OBTAINING FEDERAL FUNDS WHILE A LESS COSTLY LIGHT RAIL ALTERNATIVE WOULD NOT BE CONSIDERED.

IT IS OUR HOPE THAT THE ADMINISTRATION'S THINKING ON NEW STARTS WILL BECOME LESS ARBITRARY, AND MORE OPEN TO THE NEEDS OF INDIVIDUAL URBAN AREAS.

ALTHOUGH IT MAY SOUND TRITE, IT IS NONETHELESS REALISTIC TO SAY THAT PUBLIC TRANSIT IN THIS NATION "STANDS AT THE CROSSROADS". THE SITUATION CONFRONTING ROCHESTER, NEW YORK, IS SIMILAR TO THE CIRCUMSTANCES CONFRONTING HUNDREDS OF OTHER COMMUNITIES. SOME, IN FACT, HAVE ALREADY BEEN FORCED TO TAKE UNWILLING STEPS IN THE WRONG DIRECTION--BIRMINGHAM, ALABAMA WHERE THERE IS NO TRANSIT SERVICE; BOSTON, MASSACHUSETTS

WHERE A FINANCIAL CRISIS FORCED A TEMPORARY HALT OF ALL SERVICE; AND OTHERS WHO, LIKE ROCHESTER,ARE STRUGGLING WITH THE FINANCIAL DILEMMA.

THIS IS A TIME FOR NEW EFFORTS TO ENSURE THE STRENGTH AND STABILITY OF OUR TRANSIT SYSTEMS--SYSTEMS WHICH CAN HELP PROVIDE AFFORDABLE TRANSPORTATION FOR MILLIONS--SYSTEMS WHICH CAN HELP TO RELIEVE THE DEPENDENCE OF OUR NATION ON THE PRECARIOUS FLOW OF ENERGY FROM THIRD WORLD NATIONS--SYSTEMS WHICH ARE BECOMING INCREASINGLY ESSENTIAL TO THE FUTURE STRENGTH AND GROWTH OF OUR URBAN AREAS.

I KNOW THAT YOU SHARE OUR COMMITMENT TO THE TASK OF PRESERVING THIS VITAL PUBLIC SERVICE. WITHOUT THE CONTINUATION OF FEDERAL ASSISTANCE, OUR TRANSIT SYSTEMS WILL DIMINISH IN SIZE, AND IN ABILITY TO MEET THE DEMANDS OF THE FUTURE. THE DECISION TO FORCE THE TOTAL BURDEN OF TRANSIT OPERATION ON LOCAL GOVERNMENT AND UPON THOSE WHO CANNOT AFFORD ALTERNATIVES, IS UNREALISTIC AND MUST BE ALTERED.

WE STAND READY TO WORK WITH YOU IN ANY WAY POSSIBLE, AND GENUINELY APPRECIATE THE OPPORTUNITY TO SHARE OUR VIEWS WITH YOU TODAY.

## ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
## REGIONAL TRANSIT SERVICE
### FIVE YEAR FORECAST OF EXPENSES, REVENUES, AND ASSISTANCE REQUIREMENTS

| FISCAL YEAR: | | | 1980-1981 | 1981-1982 | 1982-1983 10% INFLATION | 1983-1984 10% INFLATION | 1984-1985 10% INFLATION |
|---|---|---|---|---|---|---|---|
| RTS OPERATING COST | | ($ M) | 19.170 | 21.400 | 23.6 | 26.1 | 28.7 |
| REVENUE (NO FARE INCREASE) | | ($ M) | 9.555 | 9.745 | 9.8 | 9.8 | 9.8 |
| FEDERAL SECTION 5 | | ($ M) | 4.750 | 4.421 | 4.4[4] | 4.4[4] | 4.4[4] |
| COUNTIES | | ($ M) | 1.976[1] | .702[2] | .9 | .9 | .9 |
| R-GRTA | | ($ M) | .412 | .360 | .2 | .2 | .2 |
| NEW YORK STATE | APPROPRIATION | ($ M) | 1.467 | 1.467 | 1.5 | 1.5 | 1.5 |
| | 2% FUND | ($ M) | 1.010 | 3.430[3] | 2.5 | 2.7[5] | 3.0[5] |
| AMOUNT REQUIRED TO BALANCE (UNFUNDED DEFICIT) | | ($ M) | -- | 1.275 | 4.3 | 6.6 | 8.9 |
| REVENUE (50% RECOVERY) | | ($ M) | | 10.650 | 11.8 | 13.0 | 14.4 |
| APPROXIMATE PEAK FARE (ASSUMES NO RESISTANCE) | | ( ¢ ) | | .75¢ | .85¢ | .90¢ | $ 1.00 |
| UNFUNDED DEFICIT @ 50% RECOVERY | | ($ M) | | -- | 2.3 | 3.4 | 4.3 |

[1] REFLECTS ADVANCE PAYMENT OF $228K FROM FY 81-82 (ALSO INCLUDES $20K RURAL COUNTIES)

[2] REFLECTS ANNUAL MANDATE LESS $228K PAID IN PRIOR YEAR (ALSO INCLUDES $20K RURAL COUNTIES)

[3] ASSUMES CARRYOVER OF FY 1980-1981 BALANCE OWING $1.3M + FY 1981-1982 AMOUNT OF $2.2M.

[4] ASSUMES SECTION 5 ASSISTANCE CONTINUES AT CURRENT LEVEL

[5] ASSUMES ANNUAL GROWTH IN 2% FUND @ 10%

ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY
RURAL SERVICES
BATAVIA BUS SERVICE, INC.
LIVINGSTON AREA TRANSPORTATION SERVICE
WAYNE AREA TRANSPORTATION SYSTEM, INC.

FIVE YEAR FORECAST OF EXPENSES, REVENUES, AND ASSISTANCE REQUIREMENTS

| FISCAL YEAR: | | | 1980-1981 | 1981-1982 | 1982-1983<br>10% INFLATION | 1983-1984<br>10% INFLATION | 1984-1985<br>10% INFLATION |
|---|---|---|---|---|---|---|---|
| RURAL SERVICES OPERATING COST | | ($ K) | 365 | 458 | 504 | 555 | 609 |
| REVENUE | | ($ K) | 98 | 100 | 103 | 110 | 110 |
| FEDERAL SECTION 18 | | ($ K) | 105 | 147 | 117 EST. | 117 EST. | 117 EST. |
| COUNTY | | ($ K) | 18 | 18 | 18 | 18 | 18 |
| R-GRTA | | ($ K) | 126 | 157 | 175 | 175 | 175 |
| NEW YORK STATE | APPROPRIATION | ($ K) | 18 | 18 | 18 | 18 | 18 |
| | 2% FUND | ($ K) | 0 | 18 | 60 | 60 | 70 |
| AMOUNT REQUIRED TO BALANCE (UNFUNDED DEFICIT) | | ($ K) | - | - | 13 | 57 | 101 |

## ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY

## LIFT LINE

### FIVE YEAR FORECAST OF EXPENSES, REVENUES, AND ASSISTANCE REQUIREMENTS

| FISCAL YEAR: | | 1980-1981 | 1981-1982 | 1982-1983 10% INFLATION | 1983-1984 10% INFLATION | 1984-1985 10% INFLATIO |
|---|---|---|---|---|---|---|
| LIFT LINE OPERATING COST | ($ K) | 551 | 707 | 863 | 949 | 1044 |
| REVENUE | ($ K) | 37 | 47 | 103[1] | 103 | 103 |
| FEDERAL SECTION 5/18 | ($ K) | 257/ 0 | 270/ 0 | 280/ 40 | 280/ 40 | 280/ 40 |
| COUNTY | ($ K) | 0 | 0 | 0 | 0 | 0 |
| R-GRTA | ($ K) | 275 | 270 | 320 | 320 | 320 |
| NEW YORK STATE | APPROPRIATION ($ K) | 0 | 0 | 0 | 0 | 0 |
| | 2% FUND ($ K) | 0 | 120 | 120 | 120 | 120 |
| AMOUNT REQUIRED TO BALANCE (UNFUNDED DEFICIT) | ($ K) | 0 | 0 | 0 | 86 | 181 |

[1] BASED ON ANTICIPATED FARE INCREASES

## ROCHESTER-GENESEE REGIONAL TRANSPORTATION AUTHORITY CAPITAL PROGRAM
(DOLLARS IN MILLIONS)

3/81

| YEAR WHEN FUNDS APPROPRIATED AND ORDER PLACED | 1980-1981 | 1981-1982 | 1982-1983 | 1983-1984 | 1984-1985 | COMMENTS |
|---|---|---|---|---|---|---|
| RTS BUS PROJECTS: | | | | | | |
| NO. BUSES NEEDED | 46 | 23 | 46 | 30 | 30 | |
| NO. BUSES BASED ON LOCAL ABILITY TO FUND | PROGRAM DELAYED | 46 | 23 | 10 | 10 | |
| FUNDING OF MINIMAL PROGRAM: FEDERAL | 0 | 5.152[1] | 2.880[2] | 1.280 | 1.320 | [1] GRANT CONTRACTS RECEIVED. |
| R-GRTA | 0 | .728 | .360 | .160 | .165 | |
| NYS | 0 | .560 | .360[2] | .160 | .165 | [2] FUNDS REQUESTED FOR FY 1981-82 |
| TOTAL | 0 | 6.440 | 3.600 | 1.600 | 1.650 | |
| RTS MISC. CAPITAL PROJECTS(SERV. VEH. SHOP EQUIP., ETC.) | | | | | | |
| FEDERAL | .269 | .064 | .016 | .112 | .400 | |
| R-GRTA | .037 | .008 | .002 | .014 | .050 | |
| NYS | .030 | .008 | .002 | .014 | .050 | |
| TOTAL | .336 | .080 | .020 | .140 | .500 | |
| SMALL BUS PROJECTS (LIFT LINE) NO. BUSES | 10 | 8 | 7 | 0 | 5 | |
| FUNDING | | | | | | |
| FEDERAL | .280 | .244 | .084 | 0 | .205 | |
| R-GRTA | .0575 | .031 | .011 | 0 | .026 | |
| NYS | .0125 | .030 | .010 | 0 | .025 | |
| TOTAL | .350 | .305 | .105 | 0 | .256 | |
| SMALL BUS PROJECTS (RURAL:BBS,WATS,LATS) NO. BUSES | 3 | 1 | 5 | 6 | 3 | |
| FUNDING | | | | | | |
| FEDERAL | 0 | .020 | .125 | .168 | .123 | |
| R-GRTA | .080 | .005 | .016 | .021 | .015 | |
| NYS | 0 | 0 | .016 | .021 | .015 | |
| TOTAL | 0 | .025 | .157 | .210 | .153 | |
| SUPPORT FACILITIES (MGMT. INFO. SYS.) | | | | | | |
| FEDERAL | 0 | .200 | 0 | 0 | 0 | |
| R-GRTA | 0 | .050 | 0 | 0 | 0 | |
| NYS | 0 | 0 | 0 | 0 | 0 | |
| TOTAL | 0 | .250 | 0 | 0 | 0 | |
| BBS GARAGE FACILITY R-GRTA | 0 | .050 | .050 | 0 | 0 | |
| ROCHESTER-BROCKPORT CORRIDOR | (Est. $4 Million)[3] | | | | | [3] ESTIMATES IN PREPARATION (INFORMATION FROM CONRAIL LACKING) |
| TRANSIT/PEDESTRIAN MALL | | | | | | |
| FEDERAL | | .672 | 8.928 | | | |
| CITY | | .084 | 2.232[4] | | | [4] COMBINED LOCAL SHARE |
| NYS | | .084 | | | | |
| NORTH-SOUTH CORRIDOR | | | (?)[5] | | | [5] CONSULTANT STUDY UNDERWAY |
| TOTAL CAPITAL PROGRAM* | | | | | | |
| FEDERAL | .549 | 6.352 | 12.033 | 1.560 | 2.048 | 22.542 |
| R-GRTA | .1745 | .872 | .439 | .195 | .256 | 1.9365 |
| CITY | 0 | .084 | 0 | 0 | 0 | .084 |
| NYS | .0425 | .682 | .388 | .195 | .255 | 1.5625 |
| NYS/LOCAL | 0 | 0 | 2.232 | 0 | 0 | 2.232 |
| TOTAL | .756 | 7.990 | 15.092 | 1.950 | 2.559 | 28.357 |

*PLUS $4 MILLION FOR BROCKPORT CORRIDOR AND AN UNSPECIFIED AMOUNT FOR THE NORTH/SOUTH CORRIDOR

## CONTINUED FINANCIAL SUPPORT OF PUBLIC TRANSPORTATION

Senator D'AMATO. Continue, Mr. Silien, please.

Mr. SILIEN. First I would like to comment on the notion that perhaps Federal operating assistance is unpopular in the Congress because people, some of your colleagues in particular, may view it as being a failure. We in the Rochester area don't believe it has been a failure.

The bus company, which was going out of business, which was suffering from prolonged labor disputes, wa purchased by the city with the aid of Federal dollars. Subsequent to the completion of the authority, the system was thoroughly modernized, with new garages, new vehicles, and so on. The service was expanded to a larger area than was being served by the former private company. And rural service has been offered in areas where no service existed before.

We are also very proud of the difficult line, which is the demand-responsive, dial-a-ride service that emerged out of a federally-funded grant and which now provides economical service for the handicapped and elderly.

People in the community are responding to the service that is being provided. During the past 12 months, we have carried 25.7 million passengers, or 3 million more than in the prior year. That's in spite of a fare increase.

Indications are that while ridership is leveling off as the availability of fuel becomes less and less easy, the ridership will continue to increase. We believe that the passengers are already contributing a fair share of the cost.

Senator D'AMATO. What percentage is that?

Mr. SILIEN. It is about 50 percent. It has covered within plus or minus a percentage point of that for some years now. I think our colleagues across the State share that relationship.

Senator D'AMATO. What is your fare?

Mr. SILIEN. Sixty cents in the rush hour and 50 cents mid-day.

Senator D'AMATO. When is the last time you had an increase?

Mr. SILIEN. We had an increase last February, when we went from 50 cents to 60 cents. The ridership continued to grow. It didn't grow as fast, but continued to grow.

Senator D'AMATO. Is your ridership growing at the present time?

Mr. SILIEN. It has pretty much leveled off.

Senator D'AMATO. How many rides a day?

Mr. SILIEN. About 100,000.

## FARE INCREASES AS RESULT OF LOSS OF OIL TAX REVENUES

Senator D'AMATO. Let's talk about the State's $250 million if you might, this part of the total package that you have to deal with. What happens if that oil tax is declared unconstitutional and you lose that $250 million in revenue? What portion of that do you get in Rochester?

Mr. SILIEN. The allocation for the current year is supposed to be a $2.25 million, plus $1.3 million in funds which we were allocated last year, so $3.7 million in addition to the State's appropriation, the gross receipts tax being $3.7 and add executive budget appropritions, $3.4.

Senator D'AMATO. $2.50 million, though, approximately, comes as a result—$2.3 million, did you say?

Mr. SILIEN. Gross receipts tax, sir.

Senator D'AMATO. No, no; that portion that comes to you from the gasoline tax.

Mr. SILIEN. $2.25 million.

Senator D'AMATO. What does the loss of $2.25 million do to your fare?

Mr. SILIEN. It would probably increase the fare by between 15 and 20 cents.

Senator D'AMATO. Fifteen and twenty cents?

Mr. SILIEN. Because we have to make up for——

Senator D'AMATO. Then you better start looking for something.

Mr. SILIEN. We have to make up for the decline in riderships.

Senator D'AMATO. I haven't heard anybody here comment, and I think it is an important situation that there is a rather good likelihood that that might take place.

Mr. SILIEN. We are all, all of us statewide, concerned that that, indeed, might take place but we are looking for some alternative solution that the State legislature is grappling with at the present time.

Senator D'AMATO. They are not grappling with anything.

How would you make up for that $2.50 million?

Mr. SILIEN. We have no choice but to raise the fare or cut the service.

When we were faced with a $1.1 million deficit at the end of last year that was unfunded, because, in fact, we had not received gross receipts tax payments, the alternatives were to slash the service 30 percent and raise the fare by a quarter, in order to balance the budget.

Unfortunately, both the State and county governments came through and we diverted the shutdown.

But the Federal share of all this, while not as great as the State's at the present time, is still a vital ingredient in the mix. Federal subsidy of $4.4 million for us represents 20 percent of the current budget and that is a very important piece of pie. It is not all of it; it is not the mid-West situation where as much as 30 or 40 percent is made up by Federal operating assistance but it is substantial and it is important to us.

Senator D'AMATO. Particularly when we are struggling with the whole initiatives and efforts and the contingencies that you have to deal with vis-a-vis State funding and local funding.

Mr. SILIEN. Exactly.

### CONTINUED CAPITAL FUNDING

I would also like to touch upon the need for continued capital funding. There are three programs in our area that are interrelated with Federal proposals and the prospects for those, in particular, are somewhat negative, based upon what we have been hearing.

One is the establishment of a modest commuter rail demonstration program from downtown Rochester to a suburb about 18 miles away.

Senator D'AMATO. You can forget that one.

Mr. SILIEN. I understand.

We have been negotiating with Conrail. UMTA isn't even part of the picture at this point. But Conrail, a tax-supported entity, after 2 years of promising to supply cost estimates has now said, "We will not supply the estimates unless we are reimbursed for those estimates."

Senator D'AMATO. Maybe we can do something there.

Mr. SILIEN. The second is a proposed transit and pedestrian mall in downtown Rochester. The threat of this continuation of the Federal urban initiatives program seriously jeopardizes that program and we are working to perhaps find another way to fund it.

The third is the prospect of implementation of a transit improvement along the north-south corridor in the city. The consultants are at work now. The answer may be a busway; it may be a light rail line; it may be nothing at all. But in the event it is light rail, it is ironic that the administration is saying that that sort of a new start could not be funded, but if it were a busway, even at a higher cost perhaps funds would be available for implementing that kind of improvement.

We hope that perhaps decisions of that kind will be made on the basis of cost effectiveness, rather than on the basis of the mode of operation.

### COST-EFFECTIVE UTILIZATION OF TRANSIT SYSTEMS

Senator D'AMATO. I would hope that the administration, in the final design, would develop the kind of criteria that would allow for more cost-effective utilization, vis-a-vis whether light rail or bus, and I think that's the area that they are headed in.

I think you also have to understand, and I have been somewhat critical, vis-a-vis the administration's policies on mass transit, but let's give them an opportunity to, in the fullness of time, to more fully and adequately develop those kinds of alternatives that I believe they have been espousing. I really think we have a good opportunity for that kind of flexibility. That seems to be what the administration is about in the general direction, so I am not too concerned with respect to that area.

I am concerned about the impact, though, that the loss of those struggles would have on our transit systems and the fare system in the future and whether or not that might not mean a curtailment, if not a total dismantling, of certain areas of service that you now have.

Mr. SILIEN. I think that would be the case in Rochester as well as in all the upstate communities. The components of the operating assistance is significant. It is important. It is part of a partnership with the State and local governments that has been successful in bringing transit service to the people of our communities.

Senator D'AMATO. I think it is also significant that we contribute on the upper levels, in terms of the farebox, by all of the areas putting in about 50 percent, which is high when we consider that the national average is quite a bit lower than that.

Is there anything else anybody would like to make as a point?

### ATTRACTION TO CENTRAL NEW YORK OF OUTSIDE BUSINESSES

Mr. SHULMAN. Senator, if I could merely relate that in the central New York area we are beginning to attract businesses from Canada and from other areas in the United States. It is just beginning again.

Senator D'AMATO. You think so?

Mr. SHULMAN. Absolutely. We are working very closely with our Chamber of Commerce and one of the aspects that these businesses are most concerned about, in an area like Syracuse, and locating in suburban districts, maybe 10 miles from the downtown business core, is: what sort of mass transit system do you have? How can we bus these laborers from rural areas to our places of business?

And this tends to be an easier kind of service to run, because it is subscription and to diminish the effectiveness of the transportation authorities in the central New York and upstate New York areas will be substantially to diminish the potential growth for businesses seeking to come into those areas.

Senator D'AMATO. So you are saying, in essence, that the viability of a transit system has a very direct result, vis-a-vis the private sector and in the upstate communities as well as employment opportunities.

Mr. SHULMAN. I know as a fact that what these businesses are interested in, among other things, is the mass transit potential for their laborers to come to their places of business.

Senator D'AMATO. Thank you very much and, gentlemen, thank you so very much for taking your time to come down here to give us your testimony which will be a part of this record, and sharing your views on this.

Mr. DEKDEBRUM. Thank you for the interest you have shown.

Senator D'AMATO. We are going to take a brief break before hearing from Mr. Sy Schulman, Mr. Rudin, Mr. Braun, Arnie Kupferman, director of policy development, New York State Department of Transportation, and Mr. Authur Teele, administrator, Urban Mass Transportation Administration.

[A brief recess was taken.]

## WESTCHESTER COUNTY ASSOCIATION

## STATEMENT OF SY SCHULMAN, PRESIDENT, WESTCHESTER COUNTY ASSOCIATION

### PREPARED STATEMENT

Senator D'AMATO. Sy Schulman, the president of Westchester County Association; Mr. Lewis Rudin, chairman of the Association for a Better New York; Leonard Braun, vice president for Transportation of the Long Island Association.

Gentlemen, thank you for taking your time to be here to kind of highlight how we would like to be looking toward the importance of the transit system, vis-a-vis Mr. Citizen, Mr. and Mrs. Citizen, and the business community in our regions.

Mr. SCHULMAN. Senator, there is a prepared statement which I will tender into the record.

Senator D'AMATO. Yes. The statement will be inserted in the record at this point.

[The statement follows:]

# POSITION PAPER ON TRANSPORTATION

BY

THE WESTCHESTER COUNTY ASSOCIATION, INC.

Since the end of World War II, local transit in the United States has shifted from a function performed primarily by the private sector for profit, subject to government regulation, to an activity dominated by government at all levels as planner, financer, regulator and operator. The major historic reason for this change was the great loss of ridership caused by the universal application of the private automobile to all transportation functions, particularly the commuter trip to and from work. At least part of the auto's popularity for this latter travel need was the availability of plentiful, cheap gasoline.

This massive shift of local transit to public direction and operation was not perceived as a problem in most regions of the United States because public transit had come to play such a minor role in the general economic picture of the country. However, in those areas of highly concentrated development where mass transportation is an absolute necessity for a smoothly functioning economic and social system, the deterioration of the publicly owned systems, which seems to always coincide with a tremendous increase in operating costs, was becoming more evident by the early 1970s.

When the energy squeeze and rapidly rising fuel costs of the past decade put people back on mass transit in great numbers, a trend which is continuing today, the problems caused by total government control became obvious and disasterous. Many transit systems could not cope with increased ridership, which although high by post-World War II standards, represented only a fraction of the wartime volumes carried routinely and successfully by private companies for profit. In fact a number of major transit systems have essentially broken down (e.g. New York MTA, Philadelphia SEPTA) and are still in a state of chaos while costs to the taxpayers have escalated to staggering proportions and the need for reliable, efficient, cost-effective public transit has become more urgent every day.

In addition, the problems caused by Federal Government intervention in transit operations through the Urban Mass Transit Administration including the government's attempts to dictate specifications for transit vehicles and the mandating of accessibility to mainline transit systems for wheelchair bound people (although well-intentioned) have greatly added to the malaise of the transit industry and to the ever-increasing and devastating costs associated with transit services.

The demise of private enterprise in the transit business is not total however. Intercity bus service is still successfully operated by private companies and is becoming an increasingly important and competitive transportation service for medium distance trips. As for local transit, the New York Metropolitan Area has many privately owned bus companies and in fact 25 per cent of the buses operated in New York City are in private hands. Almost 70 per cent of the increasingly popular express bus service in the City is operated by privately owned companies.

Perhaps the best example of private-public cooperation in the field of local transit can be found in Westchester County New York. In this well-known municipality, the bus system carries almost 100,000 passengers per day and is continuing to grow and expand. Nearly half the bus fleet consists of ultra modern advanced design buses and more new buses are about to be ordered. The system is the only one in the New York Area to use a monthly pass system and in recent years has initiated an extensive network of express and off-peak bus services, has distributed attractive time tables and system maps and has been responsible for the installation on its' routes of over 200 new bus shelters. All these improvements have been accomplished by a system whose operating costs are less than half of those of comparable publicly owned systems.

How is this remarkable feat accomplished? Through private enterprise. The Westchester County system with bi-partisan political support, is totally run by private enterprise under contract to the County with input from the County as to routing, fare structure and other service considerations. The crowning achievement of this public-private cooperative venture is the present development of a modern, comprehensive operations and maintenance facility to serve the County's bus system. This model installation is being built completely with private funds and investment. No Federal or State grant monies of any kind are being used and again the cost of the facility is expected to be less than half of what comparable projects built by government agencies with government funds are now costing the taxpayers.

Many transit experts will say that private companies cannot make a profit in local transit service out of fare-box revenue alone. Because of the change in transportation economics in the last decade, particularly the great increases in fuel and labor costs, such a statement is generally true unless fares are charged which may be unacceptably high for social and economic reasons. (It should be noted though that intercity and express bus services can generally be profitable with modest government assistance.) The point, however, is not whether private companies can make a profit on transit in the traditional sense; the key focus should be on the fact that well-run private management can often provide much needed public services to governments at a much lower cost than those governments could provide those services themselves using their own employees and resources. The private companies can achieve this goal and still make a profit pursuant to contractual arrangements, a situation in which everyone benefits. The State of New York in recent years has recognized this fact and has been very supportive of the Westchester County System and the State's remaining private bus companies.

What can the Federal government do to encourage private enterprise in the transit field? For years, Washington has assumed that all local transit is publically owned and operated. Mandates, regulations and other restrictions have been established in transit which only a government with taxing powers could meet. Because of this attitude, no realistic standards have been established to control transit spending. In fact, many transit agencies have wasted such tremendous sums of money in recent years that the overall funds available for transit have been hemorraging into inefficient, mismanaged or unused service to the detriment of the general transportation needs of the country. We therefore recommend that the Federal Government establish as a general requirement for recipients of Federal operating assistance (with some exceptions for social reasons) that at least 50% of funding for mass transit operating costs come from passenger revenues (i.e. the fare box). This approach will encourage efficiency, eliminate genuinely unneeded service and revive interest in the use of the private sector for mass transit as a cost cutting tool. In that regard, the Federal government must be flexible and should allow local areas to decide what type of transit operating structure and management is best suited to their needs, what type of vehicles would serve their operating purposes in the most efficient manner and how problems like transportation for the handicapped should be resolved. The Department of Transportation must also process paperwork in a much more timely fashion than it does at present and it should be willing to deal directly with private transit companies when such action is appropriate, something it has never done in the past.

The language of the Urban Mass Transit Act, which specifically encourages and protects the continued participation of private enterprise in the field of public transportation, has been generally ignored. All we are now asking is that the clear Congressional intent found in that statute be actively pursued. In the distribution of Federal transit aid, private companies must be treated equally and fairly and must be given a chance to show what they can do in terms of economy and efficiency. Total public ownership and operation should only be funded in situations in which continued private operation or public-private management arrangements are not feasible or would not be cost effective.

Although the Westchester County example may not be applicable in all situations, we think that the Federal government should encourage the return of private enterprise to the transit field so that the incentive to hold down costs and the natural creative tension which results when the planner/regulator and the operator are two different entities can infuse the transit business and restore the vitality, creativity, efficiency and economy of operation it once had.* These qualities are especially needed now when the demands on transit caused by the shortage of energy have never been greater and the need to satisfy those demands has never been more urgent.

* Attached is an article from the New York Times of November 26, 1980 discussing Boston's monumental transit mess. The article states that the MBTA serves 250,000 commuters. To be more specific in 1979, it carried approximately 550,000 passengers per week day. With a 1980 budget of 302 million dollars, the MBTA ran out of money by the middle of November. In stark contrast, the Westchester County bus system, which carries an average of 100,000 passengers per week day has a 1980 budget of less than 20 million dollars and will finish the year with money to spare.

New York Times November 26, 1980

# Boston's Public Transportation System Facing Shutdown in Financial Snarl

By MICHAEL KNIGHT

Special to The New York Times

BOSTON, Nov. 24 — The financially troubled public transportation system serving the entire Boston metropolitan region may be forced to close for five weeks pending the outcome of a bitter confrontation that no one seems eager to avoid.

But even if the system can somehow be kept running until an infusion of money arrives with the start of the new budgetary year in January, the prolonged battle over financing it will have fundamentally shifted the political landscape and dialogue in this state, known for decades for its strong pro-union sentiment, free-spending ways and high taxes.

The more immediate effects of a shutdown, however, would be the massive economic and personal dislocations for the 250,000 people who ride the system's bus, subway, trolley and rail lines, serving 79 communities in eastern Massachusetts.

A shutdown of the nation's fifth-largest public transportation network would be comparable in New York City terms to a complete halt to all forms of public transportation in an arc extending from Bridgeport, Conn., through Poughkeepsie, N.Y. and Trenton, N.J.

The chaos such a suspension would cause in any city is compounded here by Boston's already crowded, narrow and twisting streets and its relative lack of highways and parking lots, a result of years of government policy designed to force the public onto mass transit facilities.

### Tax-Cut Referendum

And the likelihood that some sort of temporary transportation system might be set up by the state, the City of Boston or nearby towns is dim, since the voters earlier this month passed the nation's most sweeping tax-cutting referendum, which threatens to reduce the tax revenues of many communities by 30 to 40 percent and in Boston by 70 percent.

That everyone involved is willing to risk that kind of chaos for a once-and-for-all showdown stands in testimony to the depth of a tax revolt in this state as well as the widespread anger at the Massachusetts Bay Transportation Authority, whose financial practices are one of the major reasons this state has been nicknamed Taxachusetts.

Lined up on one side of the dispute are the system's employee unions, state legislators and influential politicians who have long used the system as a pork barrel to be paid for by the cities and towns.

On the other side are reform-minded legislators, irate riders upset over rising costs and declining service, and municipal officials who have long protested the system but now, because of the tax referendum, face the prospect of major service cutbacks in their own towns at the same time that the authority's costs continue to rise.

With every other apparent avenue of avoiding a shutdown exhausted, the issue is now before the state's highest court, which has promised to rule "expeditiously" in the next few days on whether a last-ditch attempt by Gov. Edward J. King to keep the system running is legal.

### Authority Runs Out of Funds

The authority, a quasi-independent agency, is financed by local property taxes, state sales and income tax revenues, and by Federal grants, but, by and large, it is controlled by its employee unions and the political patronage process. It ran out of money last Tuesday morning after spending its $302 million annual appropriation.

The system had usually overspent its annual budget, but this year the communities it serves have refused to authorize any additional appropriations, precipitating the crisis.

The authority's advisory board, representing the 79 communities, four times angrily refused to put up the money to keep the system going, and this weekend they refused to even meet to consider the request again.

"We said no four times, and that's it," said James Smith, the board's chief staff member.

The State Legislature, which was

called into special emergency session to deal with the crisis last week, was twice unable to reach a compromise that would give the authority the $41 million more it needs to finish out the year.

### Divisions in Legislature

"There is a small group in the Legislature that wants to give the system the money to keep running without spending controls and controls over the union, a larger group that says the system should be funded with controls, and a third group that wishes to give them no money, period," observed Michael J. Barrett, a state Representative who is leading the fight for fiscal controls over a system that pays some carmen $50,000 a year and employs 600 workers to fill in for the system's abnormally high absenteeism rate.

Before the special special session ended, however, the State House of Representatives voted on a number of measures to strip the unions of their powers to control manning the system and to give greater control to management.

In a state that has gone heavily into debt to finance social programs and where for decades any pro-union measure was passed without debate or even much notice, the action was a warning flag of changing times.

"This is unbelievable," said John J. Gallahue Jr., the president of a Boston Carmen's Union local. "They're setting the labor movement back 50 years in this state."

Last year the system ran out of funds 14 days before the end of the year and needed an $11 million supplementary appropriation, money the advisory board refused to provide. Governor King, citing his emergency powers, took over the system and eventually charged the member communities half the $11 million despite the refusal to authorize it.

This year after the system ran out of money on Tuesday and actually closed down for less than 10 minutes in the predawn hours, Governor King again took over the system, an action that advisory board attorneys convinced a lower court judge was illegal because the statute under which he acted was intended for use in strikes and natural disasters such as floods and fires.

The Supreme Judicial Court lifted that court action on Saturday, pending its own decision on the matter. Meanwhile, the system continues to operate at a cost of $1 million a day. Who will eventually pay the expenses incurred is not known.

Governor King, who earlier vowed to keep the system running, said over the weekend that he would let the system shut down if the court ruled that he had acted improperly.

Even a favorable ruling from the court, however, will only postpone the confrontation.

"If the Governor gets the power from the courts to run the system on a charge card, he's going to have to present the bill for payment to the Legislature, and we'll be waiting for him," said Representative Barrett. "When you've been fighting for reform of the M.B.T.A. as long as the taxpayers of this state have fought, waiting three or four more months doesn't faze us."

## NEW YORK TRANSIT SYSTEMS

Mr. SCHULMAN. Everyone has been pledging brevity. I will carry it out, I hope.

Obviously, by now everyone knows that the transit systems around the State are many, splendid, and quite different. I would refer you to the green booklet, which I asked the county staff to provide for me, and ask you to turn to page 15, to give you a sense of scale of the kinds of situations around the State.

Senator D'AMATO. We will insert the green booklet in the record at the conclusion of your remarks.

Mr. SCHULMAN. When we heard from upstate, if you look at that chart, you will see that New York City Transit Authority and Manhattan and Bronx Surface Transit Operating Authority and the New York City private companies respectively handled over 600 million and over 100 million riders.

Then 45 million, or thereabouts, in Buffalo, and then the rest of them, including Westchester, range from 12- to 20-odd million around the State.

If you will, turn to the next page. You will see the number of buses, which are capable. Senator, you probably are most familiar with the Metropolitan Suburban Bus Authority, the one in Nassau, the several hundred buses they have there. Which, incidentally, is comparable to Westchester.

On the next page, 17, the bus vehicle miles would not be dissimilar from the previous numbers and, frankly, of this group, on the very last page, passenger per bus mile, and obviously New York City has a higher density of development, higher passenger per bus mile and presumably, in fact, therefore, has the opportunity to greater economies of operation.

## RIDERSHIP TRENDS

If you would now, please, Senator, turn back to page 13, you will see what has been happening to the ridership trends in the past year. There is a modest increase below 3 percent in a couple of places, substantial decrease in New York City and rather impressive decreases of about 9 to 10 percent in Rochester and over 12 percent in Westchester. So there is a very variable picture all around the State.

Now, some of these operations are privately owned. Most are publicly owned. The unique distinction in Westchester are the 25 million rides a year, which, dividing by 250, roughly, workdays a year, is 100,000 a day, and dividing it by two, it is roughly 50,000 people, just to give you a sense of scale.

Incidentally, that's the same number of people used in the Conrail commuter operation. So roughly every day 50,000 people in the morning get on the bus and 50,000 people get on the train in Westchester. They, together, represent about one out of seven or eight of all our jobs.

On page 12, Senator, I think we can go into some of the finances. Here are some very startling differences.

In the right-hand column, way over on the right on page 12, total operating budget of this operation in Westchester, which is different from the others, because it is a private operation, is $22 million. You will notice line 6——

Senator D'AMATO. That's why they are more effective.

Mr. SCHULMAN. Well, I am going to comment on that. I don't know, maybe if it is a reversible situation; 63 percent of the costs are covered by the farebox which I think is by far the highest anywhere.

Down below you will see on line 7 is the UMTA money of $2 million, the State money of $2 million, and the county money of $4½ million.

So of the total budget about 63 percent, as I said, is represented by the farebox and the rest is split up, as indicated by the Federal, State, and county moneys.

You have been asking the question of what would the reduction or the elimination of the UMTA money mean. It would mean a dime in farebox, $2 million in revenue, you can see it instantly.

### PURCHASES OF MUNICIPAL TRANSIT OPERATIONS

Senator D'AMATO. Your county and your legislative body and the rest of them deserve to be commended for not opting to grab that great big wonderful amount that was there when everybody came and said, "Oh, now we can sell out the buslines and buy them out."

I had just come into office back in 1970, so I was the new supervisor who had to be seen and was told to keep quiet and they went ahead and bought up all those old buses, paid millions of dollars, billions of dollars for franchises that weren't worth anything. Millions of dollars for stock that wasn't worth anything. After all, we had all this wonderful money that was going to be forthcoming and now got essentially a municipal operation.

### LEVELS OF GOVERNMENTAL REGULATION

Mr. SCHULMAN. Senator, there are three stages, three phases typically in which the governments address the public transportation issue.

First, regulatory. They regulate the devil out of the business. Therefore, you lose any further flexibility.

Second level is subsidation. Typically, at that point, as you indicated what happened in Nassau some years ago, they get tempted. Well, we are giving these guys so much money, why don't we just own the whole blooming thing. I guess that's where most of the serious mistakes have been made. Westchester has had a policy for several years, reaffirmed several times, that government should not get into that business as long as we can effectively deal with the private sector. The private sector should be regulated and run in a businesslike fashion. Also, not getting the Government involved with yet another bunch of unions and all of the other implied pressures that come with that.

Senator D'AMATO. Fortunately you have a unique situation for yourselves and unfortunately a good part of the rest of the State does not have that kind of situation.

Mr. SCHULMAN. True.

I just point out all of these comparative data and facts, Senator, because it is very hard to arrive at conclusions of generality, you might say, about all of them. I must tell you, frankly, that Westchester obviously is not in as bad shape as any of the other places around the State. It is fairly evident on the record.

Senator D'AMATO. Sure, except that you are having, and I have been told by the residents of Rockland County, the residents of Westchester, of the serious deterioration problems vis-a-vis Conrail.

Mr. SCHULMAN. That's a separate problem. I am talking about the buses. You are quite right.

Senator D'AMATO. As you mentioned, 100,000 rides daily, both in and out of the city, and when those people lose the ability to get to work with any degree of regularity, then we can really begin to fear the exodus and the movement of those people and their jobs to other regions.

### LONG ISLAND RAILROAD SITUATION

Mr. SCHULMAN. Senator, I have been separating the bus situation, which is a happy story. Now, if I might put my teary face on the Conrail situation.

You have been bloodied in the Long Island Railroad, and it is not terribly different. The problem there with respect to the involvement of other governments, beside the local government in terms of subsidization, is that it is impossible managerially to put that system together because of the unpredictable flow of funds.

Actually, there is a ballet that is danced in New York City, Albany, and Washington, as to who will get up how much money and when. That is no way to run a business, because there is no guaranteed flow of funds.

Senator D'AMATO. I have never heard it described quite that way, as a ballet.

Mr. SCHULMAN. Not terribly well orchestrated, incidentally.

Senator D'AMATO. You don't mind if I borrow those words?

Mr. SCHULMAN. If we weren't on the record I could express it more clearly.

I asked Dick Ravich, when he appeared up before my board, "What are you going to do?" He referred to the $235 million stop gap, probably illegal State financing devised this last year. That is ludicrous. That is no way of establishing a continuity and financing of a business.

Our concern is, obviously, the liability of getting—of assistance to get our people to work. I don't think the bus system has been allowed to deteriorate or be criticized in the same fashion that the commuter lines have.

I will say, finally, there has been reference to the appropriate level of farebox support. Our position paper says, and I would like to emphasize it again, and I will insist at this point, we think that the farebox should at all times, with rare exceptions and circumstances, cover 50 percent of the cost. I know that there are circumstances in the Western part of the Nation where they are carrying 80 or 90 percent of the operation, which I think is improper. If the system has any viability, if the farebox can offer at least 50 percent, say it is a fare of governmental supplementary financing. I think that the superb aspects of UMTA, vis-a-vis the bus system, is that it is a guaranteed flow of money. There is not the annual political charade that is played out among the several levels of contributing governments—State, county, and Federal governments, and that's economic in running the system. That is what is completely missing, among many other things, in the Conrail situation.

Senator D'AMATO. Thank you.

Mr. SCHULMAN. Thank you.

### WESTCHESTER COUNTY TRANSPORTATION FACTS

Senator D'AMATO. The green book which has been referred to in testimony will be inserted in the record at this point.

[The information follows:]

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

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## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## TRANSIT FACTS AT A GLANCE

| | Actual 1979 | Actual 1980 | Budgeted 1981 |
|---|---|---|---|
| Number of private franchised companies contracted with to provide bus service | 16 | 16 | 16 |
| Number of passengers carried per year | 24,162,445 | 27,033,810 | 27,609,000 |
| Number of buses required for service: | 267 | 270 | 284 |
| Number of regular bus routes | 56 | 60 | 60 |
| Number of Personalized Local Transit (PLT) routes | 14 | 14 | 14 |
| Number of one-way route-miles | 776 | 776 | 850 |
| Number of vehicle miles travelled per year | 7,627,337 | 8,241,122 | 8,747,000 |
| Number of reduced fare tokens/coupons redeemed by elderly and handicapped persons | 2,512,372 | 2,848,794 | 2,800,000 |
| Number of PASSPORTS sold per year | 2,626 | 29,717 | 31,000 |
| Number of UniTickets sold per year | 17,127 | 22,297 | 25,200 |
| Number of FareFree zones | 6 | 6 | 6 |
| Number of bus stop shelters | 116 | 257 | 275 |
| Number of telephone information inquiries per year | 271,077 | 396,402 | 410,000 |

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION
## TOTAL PASSENGERS BY YEAR

| | |
|---|---|
| 1969 (a) | 28,648,393 |
| 1970 (a) | 26,480,572 |
| 1971 (a) | 24,710,571 |
| 1972 (a) | 22,215,926 |
| 1973 (a) | 22,206,329 |
| 1974 (a) | 21,672,125 |
| 1975 (a) | 21,395,974 |
| 1976 (b) | 21,022,460 |
| 1977 (b) | 21,018,378 |
| 1978 (c) | 22,272,078 |
| 1979 (d) | 24,162,445 |
| 1980 (e) | 27,033,210 |
| 1981 (f) | 27,609,000 (budgeted) |

(a) Base Fare 35¢ plus zones; very limited transfers; no reduced rate tickets or passes.

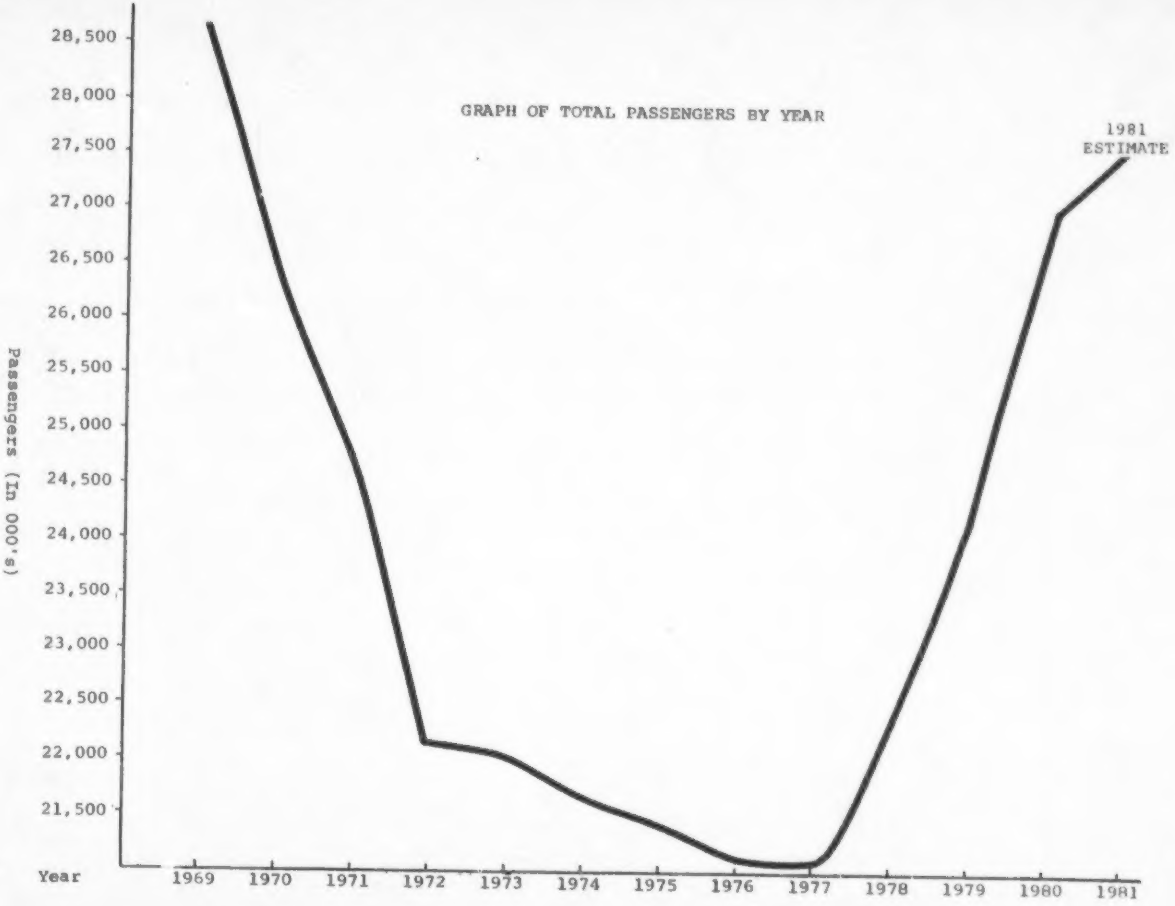
(b) December 6, 1976. Base Fare for regular routes, 40¢ plus zones; Flat fare for PLT routes, 25¢; very limited transfers; no reduced rate tickets or passes.

(c) May 1, 1978: Flat Fare for regular routes, 50¢; Flat Fare for PLT routes, 35¢; Universal transferability @ 10¢;
20 Ticket Calendar Month Book @ $9, transfers extra;
40 Ticket Calendar Month Book @ $20, transfers included.

(d) September 1, 1979: 40 Ticket Book replaced by unlimited monthly ride PASSPORT @ $20.

(e) September 1, 1980: 20 Ticket Book eliminated.

(f) January 1, 1981: Flat Fare for regular routes, 60¢; Flat Fare for PLT routes, 45¢, universal transferability @ 10¢. Unlimited monthly ride PASSPORT @ $20.



GRAPH OF TOTAL PASSENGERS BY YEAR

(3)

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION
## TOTAL TRANSIT PASSENGERS BY MONTH

|  | 1978 | 1979 | % Change '79 vs '78 | 1980 | % Change '80 vs '79 | 1981 | % Change '81 vs '80 |
|---|---|---|---|---|---|---|---|
| January | 1,649,858 | 1,779,380 | + 7.85 | 2,124,822 | +19.41 | 2,106,148 | - 1.00 |
| February | 1,651,214 | 1,608,053 | - 2.62 | 2,025,822 | +25.97 | 2,055,076 | + 1.44 |
| March | 1,988,568 | 2,040,783 | + 2.62 | 2,197,688 | + 7.69 |  |  |
| April | 1,854,178 | 1,835,574 | - 1.11 | 2,171,901 | +18.29 |  |  |
| May | 1,926,775 | 2,027,339 | + 5.22 | 2,356,180 | +16.22 |  |  |
| June | 1,822,612 | 2,112,866 | +15.93 | 2,240,545 | + 6.04 |  |  |
| July | 1,613,733 | 1,983,866 | +22.94 | 2,160,175 | + 8.89 |  |  |
| August | 1,702,319 | 2,008,883 | +18.00 | 2,120,518 | + 5.93 |  |  |
| September | 1,886,320 | 2,107,435 | +11.72 | 2,437,456 | +15.66 |  |  |
| October | 1,953,187 | 2,277,841 | +16.62 | 2,578,287 | +13.19 |  |  |
| November | 1,863,962 | 2,082,084 | +11.70 | 2,199,975 | + 5.66 |  |  |
| December | 1,879,377 | 2,116,075 | +12.59 | 2,325,944 | + 9.92 |  |  |
|  | 21,792,103 | 23,980,179 | +10.04 | 26,939,313 | +12.34 |  |  |

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

### SENIOR CITIZEN AND DISABLED REDUCED FARE RIDES

| Month | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|---|---|
| January | 109,406 | 108,600 | 173,325 | 218,329 | 159,186 | 203,416 | 182,820 |
| February | 129,200 | 204,000 | 179,400 | 167,500 | 147,534 | 183,279 | 256,678 |
| March | 150,000 | 265,800 | 213,300 | 174,500 | 189,656 | 265,926 | |
| April | 210,200 | 211,200 | 272,000 | 188,500 | 241,846 | 217,693 | |
| May | 176,600 | 245,400 | 225,217 | 211,416 | 189,440 | 287,579 | |
| June | 181,600 | 217,800 | 225,646 | 172,451 | 218,282 | 231,377 | |
| July | 210,900 | 205,930 | 247,500 | 182,028 | 206,648 | 237,508 | |
| August | 190,200 | 199,200 | 214,500 | 201,556 | 205,151 | 235,903 | |
| September | 211,800 | 263,800 | 206,000 | 170,744 | 266,267 | 243,597 | |
| October | 207,600 | 207,800 | 230,000 | 179,537 | 222,310 | 236,646 | |
| November | 199,800 | 253,200 | 271,500 | 172,360 | 202,938 | 297,784 | |
| December | 227,400 | 221,182 | 196,700 | 191,020 | 263,114 | 208,086 | |
| Totals | 2,204,706 | 2,603,912 | 2,655,088 | 2,229,941 | 2,512,372 | 2,848,794 | |

---

(5) Monthly redemption figures obtained from the Finance Division. In May 1978 WCDOT changed from token to coupon.

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## PASSPORT SALES

| Month | 1979 | 1980 | 1981 | % change '81 vs. '80 |
|---|---|---|---|---|
| January | -- | 1,353 | 4,067 | + 300.6 |
| February | -- | 1,899 | 5,061 | + 266.5 |
| March | -- | 2,271 | 6,005 (prelim.) | + 264.4 |
| April | -- | 2,163 | | |
| May | -- | 2,269 | | |
| June | -- | 2,346 | | |
| July | -- | 2,177 | | |
| August | -- | 2,339 | | |
| September | 278 | 2,822 | | |
| October | 456 | 3,522 | | |
| November | 783 | 3,426 | | |
| December | 1,109 | 3,130 | | |
| Total | 2,626 | 29,717 | | |

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

### UNITICKET SALES

| Month | 1977[a] | 1978[c] | 1979[c] | 1980 | 1981 |
|---|---|---|---|---|---|
| January | 102 | 922 | 1,355 | 2,017 | 2,085 |
| February | 107 | 866 | 1,223 | 1,805 | 1,974 |
| March | 94 | 846 | 1,211 | 2,030 | |
| April | 105 | 941 | 1,297 | 1,915 | |
| May | 103 | 1,095 | 1,264 | 1,880 | |
| June | 104 | 978 | 1,261 | 2,204 | |
| July | 92 | 1,073 | 1,473 | 1,511 | |
| August | 84 | 1,018 | 1,308 | 1,537 | |
| September | 98 | 1,031 | 1,507 | 2,033 | |
| October | 346[b] | 1,223 | 1,837 | 1,756 | |
| November | 546[c] | 1,102 | 1,597 | 1,764 | |
| December | 688[c] | 1,124 | 1,794 | 1,845 | |
| Total | 2,469 | 12,219 | 17,127 | 22,297 | |

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[a] Monthly statistics through September 1977 obtained from Mr. Guerra of the MTA.

[b] UniTicket became available County-wide effective November, 1977.

[c] Statistics obtained from monthly UniTicket reports sent to the WCDOT by Conrail.

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## TELEPHONE INFORMATION CALLS[1]

| Month | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | %-Change '80-'81 |
|---|---|---|---|---|---|---|---|---|
| January | 11,667 | 5,961 | 9,139 | 13,951 | 15,856 | 27,277 | 35,552 | + 30 |
| February | 6,356 | 6,081 | 8,172 | 14,807 | 14,659 | 28,419 | 30,166 | + 06 |
| March | 7,959 | 6,043 | 8,699 | 14,900 | 17,701 | 32,757 | | |
| April | 13,193 | 5,338 | 8,214 | 12,373 | 17,717 | 34,932 | | |
| May | 7,344 | 5,876 | 8,240 | 15,025 | 20,981 | 35,935 | | |
| June | 9,784 | 10,604 | 9,826 | 13,715 | 25,992* | 39,630 | | |
| July | 10,222 | 9,731 | 11,168 | 11,771 | 23,241 | 33,320 | | |
| August | 11,642 | 11,686 | 12,094 | 15,564 | 25,257 | 30,642 | | |
| September | 16,831 | 9,564 | 15,093 | 16,159 | 27,636 | 37,238 | | |
| October | 17,126 | 9,214 | 12,313 | 16,880 | 26,260 | 37,193 | | |
| November | 8,109 | 10,859 | 8,942 | 15,469 | 28,576 | 27,302 | | |
| December | 6,563 | 11,074 | 9,474 | 14,158 | 27,201 | 31,757 | | |
| Totals | 126,806 | 102,031 | 121,374 | 174,594 | 271,077 | 396,402 | | |

* Start of the Energy Crisis

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## BUS SHELTERS

| MONTH | AUTHORIZED | CONSTRUCTED | FINAL ACCEPTANCE TO TDI WINSTON |
|---|---|---|---|
| December '79 | 252 | 116 | 0 |
| January '80 | 252 | 132 | 0 |
| February '80 | 250 | 134 | 0 |
| March '80 | 248 | 134 | 0 |
| April '80 | 248 | 140 | 32 |
| May '80 | 257 | 160 | 32 |
| June '80 | 257 | 185 | 32 |
| July '80 | 257 | 185* | 32* |
| August '80 | 257 | 185* | 32* |
| September '80 | 257 | 185* | 32* |
| October '80 | 254 | 201 | 32 |
| November '80 | 254 | 225 | 32 |
| December '80 | 251 | 251 | 50 |
| January '81 | 251 | 250 | 61 |
| February '81 | 251 | 250 | 61 |
| March '81 | 251 | 250 | 61 |

---

* Sign Erectors Strike July 1 - Sept. 19, 1980

## WESTCHESTER COUNTY BUS FLEET MAKE-UP

| | GENERAL ROSTER | | | | | | | CATEGORIZATION BY BUS TYPE | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| January 2, 1981 | Peak Requirement | Spares | Total Required Fleet | Reserve Fishbowls | Reserve Tanks | Total Reserve Fleet | Total Fleet | 35' RTS' | 40' RTS' | Total RTS' | County Owned Fishbowls | Total County Owned Buses | Privately Owned Fishbowls | Total Fishbowls | Tanks | Vans | Mini Buses | Suburbans | Parlor Coaches | School Type | Total Fleet |
| Beechmont | 3 | 1 | 4 | 0 | 0 | 0 | 4 | 2 | 0 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 4 |
| Bronxville | 1 | 0 | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Bus Associates | 206 | 31 | 237 | 0 | 3 | 3 | 240 | 5 | 81 | 86 | 73 | 159 | 71 | 144 | 10 | 0 | 0 | 0 | 0 | 0 | 240 |
| Chappaqua | 3 | 1 | 4 | 0 | 0 | 0 | 4 | 3 | 0 | 3 | 0 | 3 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 4 |
| County | 3 | 0 | 3 | 0 | 0 | 0 | 3 | 1 | 0 | 1 | 0 | 1 | 2[*] | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Dobbs Ferry | 4 | 1 | 5 | 0 | 0 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 5 |
| Hartsdale | 4 | 1 | 5 | 0 | 0 | 0 | 5 | 2 | 0 | 2 | 0 | 2 | 1 | 1 | 0 | 0 | 1 | 0 | 0 | 1 | 5 |
| Mt. Kisco | 9 | 2 | 11 | 0 | 0 | 2[a] | 13 | 3 | 0 | 3 | 0 | 3 | 4 | 4 | 0 | 0 | 0 | 4 | 2 | 0 | 13 |
| PTLA | 1 | 1 | 2 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| Scarsdale | 2 | 1 | 3 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| Victoria | 1 | 0 | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| White Plains | 2 | 0 | 2 | 0 | 0 | 0 | 2 | 2 | 0 | 2 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| W.P.-Pleasantville | 4 | 2 | 6 | 1 | 2 | 3 | 9 | 0 | 4 | 4 | 0 | 4 | 3 | 3 | 2 | 0 | 0 | 0 | 0 | 0 | 9 |
| Totals | 243 | 41 | 284 | 1 | 5 | 9[a] | 292 | 20 | 85 | 105 | 73 | 178 | 81 | 154 | 13 | 2 | 1 | 4 | 2 | 11 | 292 |

[a] Two parlor coaches in reserve.

[*] 1 Bus Leased.

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## MAJOR PERFORMANCE INDICATORS

## NINE MONTHS 1979 VS 1980

| | 1979 | 1980 | % Change |
|---|---|---|---|
| Passengers | 17,504,179 | 19,838,558 | +13.33 |
| Farebox Revenue | $ 8,026,872 | $ 8,603,287 | + 7.2 |
| Hours Operated | 462,571 | 497,640 | + 7.6 |
| Vehicle Miles | 5,658,836 | 6,088,787 | + 7.6 |

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

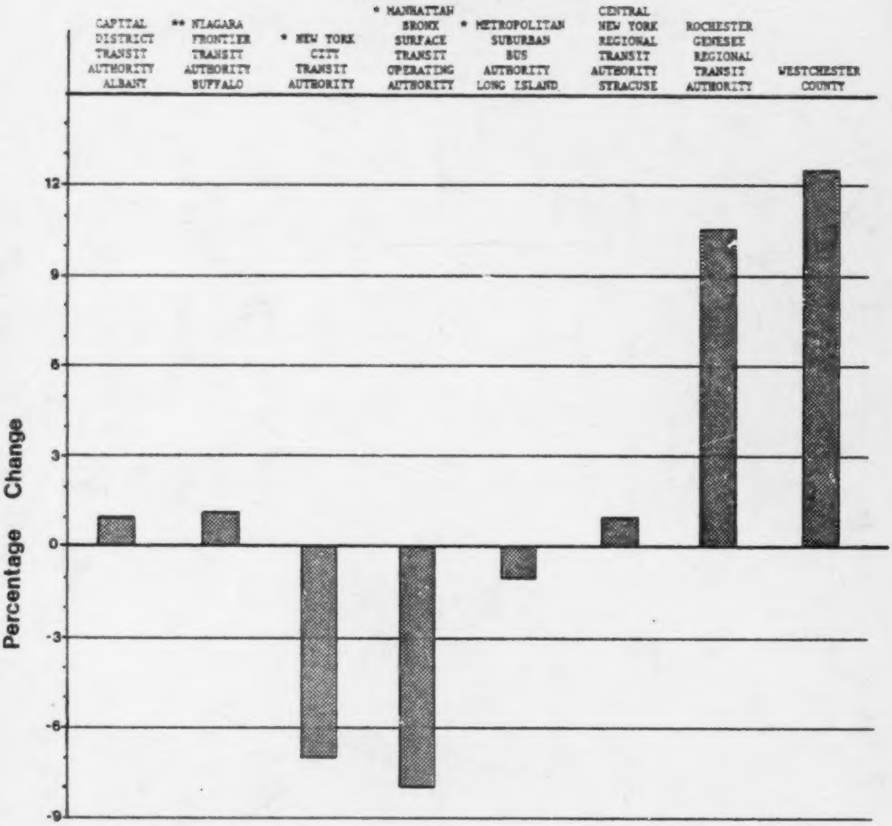
### WESTCHESTER COUNTY BUS AND RAIL OPERATING ASSISTANCE

| Line | | 1975 Actual | | 1976 Actual | | 1977 Actual | | 1978 Actual | | 1979 Actual | | 1980 Estimated | | 1981 Budget | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Bus Companies' Operating Expenses | $10,932,755 | | $11,501,707 | | $11,766,336 | | $13,970,449 | | $16,205,904 | | $19,701,550 | | $22,384,000 | |
| 2 | Westchester County Department of Transportation Transit Expenses | 198,625 | | 241,051 | | 345,338 | | 370,985 | | 366,690 | | 497,497 | | 632,492 | |
| 3 | Total | 11,131,380 | | 11,742,758 | | 12,111,674 | | 14,341,434 | | 16,572,594 | | 20,199,047 | | 23,016,492 | |
| 4 | Bus Companies' Farebox Revenue (excl. Elderly/Handicapped) | 7,736,762 | | 7,917,127 | | 7,988,755 | | 9,474,413 | | 10,441,035 | | 12,159,500 | | 14,484,000 | |
| 5 | Bus Operations Deficit | $ 3,394,618 | | $ 3,825,631 | | $ 4,122,919 | | $ 4,867,021 | | $ 6,131,559 | | $ 8,039,547 | | $ 8,532,492 | |
| 6 | Cover Ratio (Line 4 ÷ 3) | 69.5% | | 67.4% | | 66.0% | | 66.1% | | 63.0% | | 60.2% | | 63.0% | |
| | Source of Bus Operating Assistance Funds: | | | | | | | | | | | | | | |
| 7 | UMTA Section 5-Federal | $ 761,272 | 22.4% | $ 789,385 | 20.6% | $ 999,962 | 24.3% | $ 1,355,950 | 27.9% | $ 1,936,061 | 31.6% | $ 2,083,845 | 25.9% | $ 2,000,000 | 23.4% |
| 8 | N.Y. State | 919,817 | 27.1% | 993,341 | 26.0% | 995,419 | 24.1% | 892,371 | 18.3% | 1,510,314 | 24.6% | 2,100,000 | 26.1% | 2,100,000 | 24.6% |
| 9 | County | 1,713,529 | 50.5% | 2,042,905 | 53.4% | 2,127,538 | 51.6% | 2,618,700 | 53.8% | 2,685,184 | 43.8% | 3,855,702 | 48.0% | 4,432,492 | 52.0% |
| 10 | Total | $ 3,394,618 | 100.0% | $ 3,825,631 | 100.0% | $ 4,122,919 | 100.0% | $ 4,867,021 | 100.0% | $ 6,131,559 | 100.0% | $ 8,039,547 | 100.0% | $ 8,532,492 | 100.0% |
| 11 | MTA Operating Assistance-General | $ 5,458,200 | | $ 5,020,000 | | $ 5,115,433 | | $ 5,020,000 | | $ 5,020,000 | | $ 5,020,000 | | $ 5,020,000 | |
| 12 | -Station Maintenance | 1,830,220 | | 2,272,573 | | 2,359,624 | | 2,359,624 | | 2,359,624 | | 2,359,624 | | 3,549,638 | |
| 13 | Total | $ 7,288,420 | | $ 7,292,573 | | $ 7,475,057 | | $ 7,379,624 | | $ 7,379,624 | | $ 7,379,624 | | $ 8,569,638 | |
| | Source of Rail Operating Assistance Funds: | | | | | | | | | | | | | | |
| 14 | UMTA-Federal | $ -0- | | $ -0- | | $ -0- | | $ -0- | | $ -0- | | $ -0- | | $ -0- | |
| 15 | N.Y. State | -0- | | -0- | | -0- | | -0- | | -0- | | -0- | | -0- | |
| 16 | County | 7,288,420 | | 7,292,573 | | 7,475,057 | | 7,379,624 | | 7,379,624 | | 7,379,624 | | 8,569,638 | |
| 17 | Total | $ 7,288,420 | | $ 7,292,573 | | $ 7,475,057 | | $ 7,379,624 | | $ 7,379,624 | | $ 7,379,624 | | $ 8,569,638 | |
| 18 | Total County Transit Assistance Funds (Line 9 + Line 16) | $ 9,001,949 | | $ 9,335,478 | | $ 9,602,595 | | $ 9,998,324 | | $10,064,808 | | $11,235,326 | | $13,002,130 | |
| 19 | Elderly/Handicapped Subsidy (incl. in Line 10) | $ 399,176 | | $ 461,214 | | $ 547,552 | | $ 533,540 | | $ 679,400 | | $ 730,000 | | $ 840,000 | |

Source of Data:
Annual Budget Book (Transportation & Office of the Aging)

# RIDERSHIP TRENDS OF MAJOR NEW YORK STATE BUS SYSTEMS

## 1980 vs. 1979



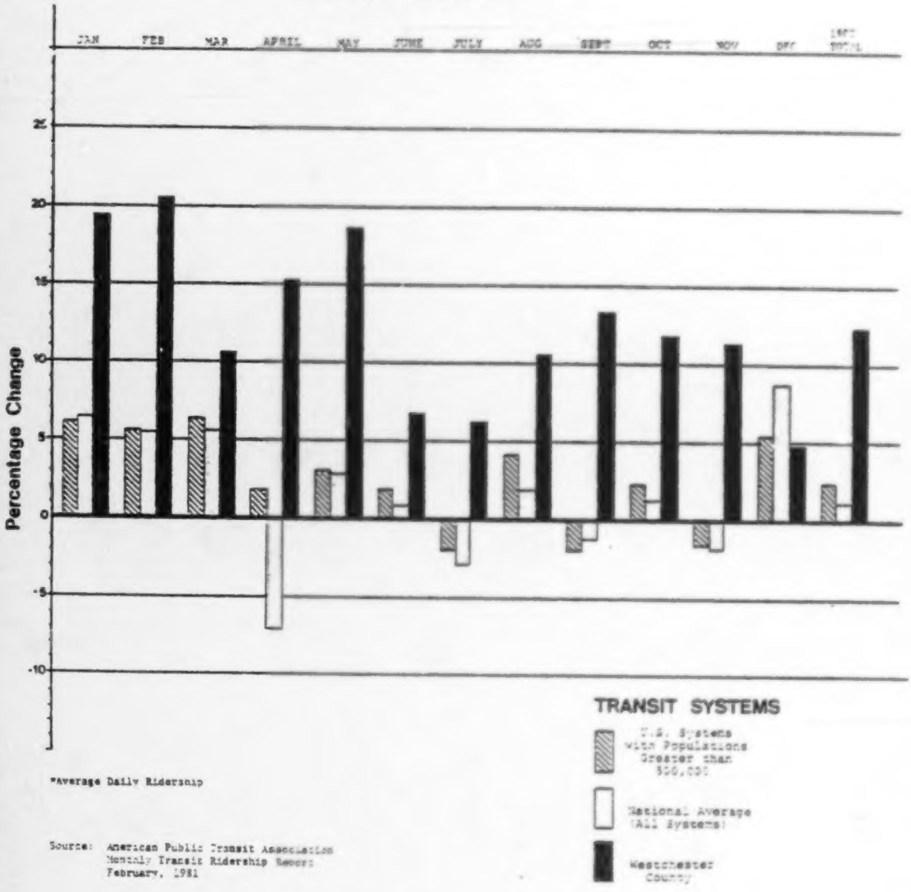
*MSBA-Long Island Railroad strike Apr. 1-7, 1980
NYCTA-On strike Jan. 2-11, 1980 and Apr. 1-11, 1980
MABSTOA-On strike Apr. 1-11, 1980

**Data available for nine months only

Source: American Public Transit Association
Monthly Transit Ridership Report
February, 1981

# COMPARISON OF MONTHLY RIDERSHIP TRENDS*

## 1980 vs. 1979



*Average Daily Ridership

Source: American Public Transit Association
Monthly Transit Ridership Report
February, 1981

(14)

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## COMPARATIVE SYSTEMS STATISTICS

### PASSENGERS

| | | |
|---|---|---|
| New York City Transit Authority (surface) and Manhattan and Bronx Surface Transit Operating Authority | | 635,124,587 * |
| New York City Private Companies | | 100,373,538 * |
| Niagara Frontier Transportation Authority (Buffalo) | | 45,800,000*** |
| Westchester County Transit System | | 24,162,445 * |
| Metropolitan Suburban Bus Authority (Long Island) | | |
| Nassau | 20,868,522 | |
| Suffolk | 2,060,798 | 22,929,320 * |
| Rochester-Genesee Regional Transportation Authority | | 17,780,000 ** |
| Capital District Transportation Authority (Albany) | | 12,480,000 ** |
| Central New York Regional Transportation Authority (Syracuse) | | 11,510,000 ** |

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* Calendar Year 1979
** Calendar Year 1978
*** Ending 3/31/80

# WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## COMPARATIVE SYSTEMS STATISTICS

## BUS VEHICLES OPERATED

| | | |
|---|---|---|
| New York City Transit Authority (surface) and Manhattan and Bronx Surface Transit Operating Authority | | 4,500 |
| New York City Private Companies | | 1,340 |
| Niagara Frontier Transportation Authority (Buffalo) | | 473 |
| Metropolitan Suburban Bus Authority (Long Island) | | |
| | Nassau - 252 | |
| | Suffolk - 43 | 295 |
| Westchester County Transit System | | 267 |
| Rochester-Genesee Regional Transportation Authority | | 243 |
| Capital District Transportation Authority | | 240 |
| Central New York Regional Transportation Authority | | 159 |

# WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## COMPARATIVE SYSTEMS STATISTICS

## BUS VEHICLE MILES

| | | |
|---|---|---|
| New York City Transit Authority (surface) and Manhattan and Bronx Surface Transit Operating Authority | | 104,873,919 |
| New York City Private Companies | | 27,614,368 |
| Niagara Frontier Transportation Authority (Buffalo) ended March 31, '80 | | 10,400,000 |
| Metropolitan Suburban Bus Authority (Long Island) | Nassau - 7,734,159<br>Suffolk - 2,441,937 | 10,176,096 |
| Westchester County Transit System | | 8,085,024 |
| Rochester-Genesee Regional Transportation Authority | | 7,123,101 * |
| Capital District Transportation Authority | | 6,027,241 * |
| Central New York Regional Transportation Authority | | 5,008,562 * |

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* Calendar Year '77-'78

## WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## COMPARATIVE SYSTEMS STATISTICS

## PASSENGERS PER BUS MILE

| | |
|---|---|
| New York City Transit Authority (surface) and Manhattan and Bronx Surface Transit Operating Authority | 6.06 |
| New York City Private Companies | 3.63 |
| Westchester County Transit System | 2.99 |
| Niagara Frontier Transportation Authority (Buffalo) | 2.74 |
| Rochester-Genesee Regional Transportation Authority | 2.5 |
| Central New York Regional Transportation Authority | 2.3 |
| Metropolitan Suburban Bus Authority (Long Island) | 2.25 |
| Capital District Transportation Authority | 2.07 |

# WESTCHESTER COUNTY DEPARTMENT OF TRANSPORTATION

## COMPARATIVE SYSTEMS STATISTICS

## 1978 COVER RATIOS

| | | |
|---|---|---|
| Westchester County Transit System | | 65.1% |
| New York City Transit Authority (surface) and Manhattan and Bronx Surface Transit Operating Authority | | 61.6% |
| Niagara Frontier Transportation Authority | ending 3/31/78 | 59.0% |
| Metropolitan Suburban Bus Authority (Long Island) | | 45.3% |
| Rochester-Genesee Regional Transportation Authority | | 43.9% |

Cover Ratio: Percentage of expenses "covered" by fare box revenues

## Association for a Better New York

### STATEMENT OF LEWIS RUDIN, CHAIRMAN, ASSOCIATION FOR A BETTER NEW YORK

### STOPPING CORPORATION EXODUS

Senator D'AMATO. Before Mr. Rudin starts, I would like the record to indicate that we in New York and in the region as a whole offer Mr. Rudin and his group a special vote of gratitude for the outstanding work that he has done for so many years, a tireless worker for this region, in attempting to focus in on the problems, focus in by also directing, via some solutions. Ever politicizing a matter, but yet never being afraid to call to the attention of those political leaders whose concern should be and must be to make a more viable region, and, Lew, I am delighted you could be here today to make known your views, because, indeed, you typify what American business and the free enterprise system can and should be about, and that balance between a free enterprise system and responsibilities of those who are in government.

Mr. RUDIN. Thank you very much, Senator. I am happy to be here.

I felt that the request was pertinent to probably one of three most important areas that this city has to face in the next decade to survive, and that is the safety of its people, its housing and its transportation.

In the transportation area, we have been, as a group, involved for close to 8 years in talking about bond issues and bond issues and bond issues. But let me just, without any notes and without any prepared statement, indicate to you the association which I am the founder of, which started in 1969–70 to stop corporate exodus.

### TAX BASE EROSION

Senator D'AMATO. Continue, Mr. Rudin.

Mr. RUDIN. We said to the mayor then, if the corporations continued to move out of the city and if small manufacturing business continued to move out of the city, that within a few years you will have an eroded tax base and the whole complex of the city will change.

Remember, at that time, 1969–70, we were undergoing a boom, a tremendous boom. Nobody recognized that this was happening but those of us in the real estate business started to—our finger was on the pulse of things and we started to get bad vibes, so we formed this group.

The Chamber of Commerce, unfortunately, at the time, didn't want to react because it was their directors who were moving their companies up to Connecticut, out to Jersey, Denver, Houston, and Westchester, too. It was a very, very, very serious threat to the existence of the city. I see the same threat right now because the same vibes are being felt right now by us.

We are in a boom period, but yet the Wall Street community is saying, we can't get our people down to work, what are we going to do about it?

The mid-town people are saying—the commutner lines are in shambles and they are now saying again, maybe we have to go out to Fairfield County; maybe we have to go out to Jersey.

If that happens, then I think that this town is really finished, as the No. 1 center of commerce activity in this country.

What did we lose in 10 years with all of our efforts? We lost, the census says, close to 1 million people. We must have lost 500,000 or 600,000 jobs, but we survived.

So I think that any dollars that we get from the Federal Government to maintain a balance in operating subsidies, is cheap dollars, Senator, the cheapest dollars Federal Government can give us. Because if we do go bankrupt then we will become a Federal reservation. Then the Federal Government is going to pour money into this city because there will be no control and there will be no reason then for any local responsible leadership to run this town right. Then it will be like Washington, D.C. The subway systems will cost the Federal taxpayers God knows what. So I think it is to the Federal Government's good business sense to make sure that we continue to get a fair share.

Energy, now. I think that we move 3, 4 million people into this city daily. I don't know the exact figures. How could we cope with that if we had to move them in by automobile? You can't move in automobiles today as it is. So that I think that if the message is presented to the rest of the public and the rest of the country and certainly to our senators—and I understand the chairman of this subcommittee is from North Dakota—if it is presented properly, they have got to be on our side. We can't afford more people using automobiles.

Just to throw a figure, the Union Carbide Co., which is at 47th Street and Park Avenue, and occupies a little over 1 million feet there, about 3,000 employees, has about 10 percent who come in by automobile. They are moving to South Danbury. They haven't finished the project, which will probably cost them three times what they anticipate, but that's another problem. All 3,000 will have to move on wheels to South Danbury. What that will mean in the cost of gasoline and the cost of people's times, God only knows. We can't afford—I don't think the country can afford to allow that to happen.

Now, recognize that Lew Rudin is very self-interested in this, Senator, because all of my real estate in the center of this town, in Manhattan, and it will not do the city of New York any good when that's empty, because then I will stop paying taxes. So I am very self-interested, but I think my self-interest goes beyond just my particular personal interest. This town has been very good to my family. It has been very good to a lot of people. We are working very hard to continue that and I think that anything that we can do to continue an honest, fair mass transit subsidy will keep business in this city, and will be the most viable way of helping, not only our city, but our country.

Thank you very much for allowing me to be here.

Senator D'AMATO. Thank you very much.

## LONG ISLAND ASSOCIATION

### STATEMENT OF LEONARD BRAUN, VICE PRESIDENT, TRANSPORTATION, LONG ISLAND ASSOCIATION

### CONSTRUCTION OF MASS TRANSIT FACILITIES

Senator D'AMATO. Mr. Braun.

Mr. BRAUN. Senator, thank you very much for inviting us from Long Island.

You and I have had many conversations in the past about mass transportation. In this room several times I have testified on the other side of the aisle as vice president of the Metropolitan Transportation Authority and as a member of the board through their chairmen, and not one of those chairmen have had a fair accumulation of money to finance the necessary capital improvements and the necessary operating improvements that the railroads and mass transit deserve.

I can say on behalf of the Long Island Association's policy, it is to support Federal and State assistance for the construction of new railroad and other mass transit facilities and the purchase of needed equipment, if we are going to improve the service. The association strongly believes that Federal and State operating subsidies for buses, subways or railroads, must have some caveats of management improvement and productivity gains, which we have not been getting in any way, shape, manner or form, from either the Long Island Railroad or the New York City Transit Authority.

Just the other day the Rockefeller committee offered to lend 20 or 30 experienced executives to help the transit authority at which they turned up their nose. Reminds me of the World War II sad sacks taking a look at the British rifle and holding his nose up while he is cuddling his M–1. I think that management is vitally needed.

You and I have talked many times about the railroad, the lack of facilities to repair the beautiful railroad cars that were put on the service only 10 years ago, that were supposed to last.

Certainly it is the most highly paid railroad in the world. The average pay per employee, pay and benefits, right now, is over $40,000 a year, average. Now, you cannot tell me that these experienced, well-paid people could not perform well if they had the facilities to do it.

I, like you, have great questions about the Governor's gross receipts tax, giving the $250 million. I believe no matter how long that's going to be fought, it is going to be fought in the courts, as being discriminatory. I must, on behalf of Long Island say to you, they still have not been able to find a president. They still have not been able to find management to run the railroad. I think that in spite of all of the problems that Chairman Ravich is having about Mr. Shulman's ballet in Albany, Washington, or the city, that there should be some backlog of management experience to run these facilities, and I implore the Senator, in his wisdom in Washington, to see that if transit operating subsidies are shuffled out into the various authorities within the State, which I am fairly familiar with, that they do have certain caveats. That you do receive something back for this money which I think is very important.

Senator, thank you so much for having us today.

Senator D'AMATO. Thank you very much for some thought-provoking ideas, Mr. Braun. In terms of maybe some kind of level, in terms of pay, et cetera, work that is required so that we could set some standard, because you know that the call in Washington, with some justification, is that they don't want subsidies to be used to finance the kinds of collective bargaining which go beyond good business, those things which really couldn't be countenanced and I think there is something to that. I think we have to address ourselves to that if we want other elected officials and other regions of the country to be cognizant of our problems.

So I am delighted that you did mention that because that is a problem. I thank all of you for coming in today and for indicating your view of the seriousness of transportation, as Mr. Rudin said, as one of the three vital elements in this city. I concur with you.

## NEW YORK STATE DEPARTMENT OF TRANSPORTATION

### STATEMENT OF ARNIE KUPFERMAN, DIRECTOR, POLICY DEVELOPMENT, NEW YORK STATE DEPARTMENT OF TRANSPORTATION

### PREPARED STATEMENT

Senator D'AMATO. Mr. Kupferman, director of policy development, New York State Department of Transportation, Mr. Kupferman.

Mr. KUPFERMAN. Senator, I would like to thank you for the opportunity to appear at this hearing and to share with you some of our views on what might be becoming Federal legislation concerning mass transportation.

I have a prepared statement which has been distributed and what I will do is try to hit some of the high points that are presented in that statement.

[The statement follows:]

# PREPARED STATEMENT OF ARNOLD KUPFERMAN

CHIEF, POLICY DEVELOPMENT

NEW YORK STATE DEPARTMENT OF TRANSPORTATION

My name is Arnold Kupferman, I am Chief of Policy Development for the New York State Department of Transportation.

I am pleased to be here today and have the opportunity to provide you with an assessment of what the proposed cuts in Federal assistance for public transportation services will mean to New York State as the Department of Transportation views them; and to share with you some of our ideas for maximizing the effectiveness of the limited funding which may be available to us.

More so than in any other state, public transit plays a vital role in New York. In the Metropolitan area alone, on a typical weekday, some 3 million persons and 600 thousand vehicles enter a 9 square mile area south of 60th Street in Manhattan. The rush hour surges are tremendous. About 700,000 persons arrive in a single hour. The vital role of public transportation is immediately apparent because 90 percent of all arrivals during this peak hour are by subway, bus, commuter rail, or ferry. Even if the air pollution and parking problems could somehow be resolved, we would need the equivalent of 20 new George Washington Bridges linking Manhattan to Brooklyn, Queens, the Bronx and New Jersey, to accommodate this movement of people by automobile if our transit service could not operate.

Our transit system, with a replacement cost of $55 billion, if it were to be built today, makes New York possible. Without the subway, bus, and commuter rail systems, the city could not exist. However, in addition to the purely local purposes which the system serves, there are important national purposes served as well.

Our investment in energy efficient transit systems in New York City and upstate have paid handsome dividends to the rest of the country in fuel savings. Because of the heavy use of affordable transit services, New Yorkers consume less gasoline than the residents of any other state -- 330 gallons of highway fuel per capita versus a national average of 516 gallons per capita. In New York City fuel consumption is the lowest in the country averaging less than one-third the national average.

Every gallon of gasoline not burned in New York is available for use elsewhere. If New Yorkers used fuel at the national rate, we would consume an additional 3.3 billion gallons of fuel each year. Our transit systems allow us to save enough fuel to provide the motorists of the entire State of Georgia, Indiana or Missouri, with their annual supply of gasoline. By conserving we make fuel available so that the remainder of the country can continue to enjoy the comfort and convenience of their automobiles. Our conservation provides other states with fuel just as surely as if we were pumping oil from the ground -- and we do not charge severance taxes or collect on oil depletion allowances.

New York is America's premier city -- the center of the largest and most concentrated industrial and consumer market in the world. The city far outstrips in magnitude any other in the United States by almost every basic measure of economic significance. It provides more jobs than Boston, Detroit, Baltimore, and Philadelphia combined.

The city serves as a headquarters and nerve center for many of the Nation's largest businesses and about 24 percent of the dollar value of waterborne trade flows through the port of New York. It is the financial capital of the Nation. It truly serves a national role in the economy. Consequently, it is of national interest to assure that vast numbers of people which must be moved into and around the city to make it work can continue to do so.

Despite the national interest and commitment to keeping energy conserving transit systems operating at affordable fares in New York and other urban areas throughout the country, the Administration has proposed to discontinue the Federal assistance for payment of a small share of the operating and maintenance costs of the nation's transit services. With the catch phrase "no reason for someone in Sioux Falls to pay Federal taxes so that someone in Los Angeles can get to work on time", the budget-cutters are proposing to extract the Federal government from all of their previous obligations and commitments to operate and maintain an energy efficient alterantive to the automobile. We feel that because of the importance to the economy of the nation's major cities, the citizens of Sioux Falls should be concerned with Los Angeles and New York, just as we are concerned with their problems.

We agree with their argument that "primary responsibility for the operation of mass transportation should rest with State and local government" -- and will shoulder that responsibility. However, we feel that the aid from a Federal program which provides less than 10 percent of the cost of operation will not materially shift responsibility and should be continued. New York State and local government spend almost as much for transit operating assistance as the $1.1 billion the Federal government spends for all 50 states. The withdrawal of all Federal-aid will increase transit fares in our upstate cities by 20 or 25 cents, while increasing subway fares in New York 10 cents, and a monthly commuter ticket from Hempstead by $10.

However, if the Congress in its deliberations should decide to eliminate all operating assistance, as requested by the Administration, consideration should be given to at least providing assistance for financing a major transit maintenance program. After investing billions in the Interstate Highway System it has become apparent that without adequate maintenance this investment will be lost as our aging highways deteriorate to a point where complete replacement may be necessary. To avoid the enormous costs associated with replacement and prolong the useful life of the Interstate highways, the Administration has proposed spending $8.9 billion over the next five years for a program for reconstructing, resurfacing, restoring and rehabilitating the Interstate System. We would suggest that a similar program to maintain and preserve the multi-billion Federal investment in equipment and capital improvements to the nation's transit systems would be economically sound and cost-effective. While such a program would not completely replace the present operating assistance program, it would mitigate the results of elimination of that program on our ability to properly maintain our systems.

Last year an average of 200 subway trains per day were not able to complete their scheduled service because of mechanical failures -- a 95 percent increase over statistics from just five years ago. The mean distance travelled by subway cars between mechanical failures is down to 8,200 miles -- from 24,000 in 1970. These service breakdowns are attributable to a lack of adequate maintenance of the facilities and equipment. This lack of adequate maintenance is evidenced all over the country. A recent GAO Report cites lack of adequate maintenance as a major problem in controlling transit costs throughout the country.

The Federal government has made substantial investments in transit capital facilities. In addition, prior to the Federal program many local governments and private operators created a substantial and irreplaceable transit capital plant that allows urban areas, to function in an economical and efficient manner. However, limited resources have resulted in deterioration of this valuable national asset. The proposed termination of the Federal transit operating assistance program would only aggrevate the current problem of deferred maintenance on older systems and endanger the continuing Federal capital investment in mass transit over recent years.

Federal support of the reconstruction, restoring and rehabilitating of these capital facilities and equipment will help to ensure that this investment and the investment of previous generations continues to provide safe, reliable, and attractive transportation service. It will also reduce the rate of growth in the demand for future capital investment by extending the full economic life of the existing capital plant. By extending the life of a bus from the present 12 years to 15 years, $125 million per year can saved in bus replacement costs. Similar savings could be achieved by extending the useful life of subway and commuter equipment.

Currently, about $1.7 billion dollars a year is spent on maintaining the nation's urban transit system out of the total operating and maintenance budget of about $5.9 billion. Without any Federal-aid in the form of operating assistance, we would expect the already inadequate amount to be drastically reduced as transit operators use all available funds to reduce the adverse impact of the Federal action on fares.

There is speculation that the House staff will include in the Transit Bill, which will be submitted to the Surface Transportation Subcommittee of the House Public Works and Transportation Committee shortly, a program for reconstruction, restoring and rehabilitating transit capital equipment and facilities -- a Transit 3R program.

We suggest that the program would start in FFY 1983 at an initial amount of $300 million and be phased in if the current Section 5 Federal operating assistance program is phased out. The program would reach one billion dollars by FFY 1985 and then level off.

We propose that the program allocate Federal assistance to ensure adequate maintenance of transit facilities and equipment to the various municipalities on the basis of a simple formula. Seventy-five percent of the funds to be distributed on the basis of the relative number of buses, rapid transit and commuter cars required for peak period service in each area; and 25 percent to be allocated on the basis of the number of route miles of track in the cities operating rail transit and commuter rail systems.

In the absence of any other Federal assistance, such a program would divide the responsibility for transit services so that there is a clear Federal role for the furnishing and maintenance of the capital plant similar to its responsibilities with the Highway System, while the fare box and local/state government would be required to take care of all operating costs. Such limited Federal responsibility will encourage state and local governments to support only the nighest priority needs and provide the maintenance needed to reduce future year costs for new equipment and replacement of facilities.

In connection with procurement of capital equipment, it is recommended that Congress make certain changes in the Federal tax laws which could result in substantial cost savings to transit operators in the acquisition of new equipment. The first change would allow public transit operators to enjoy indirectly the tax credit benefits which are directly applicable to equipment used by private transit companies and other private enterprises. A private transit company can obtain the benefit of a 10 percent Federal investment tax credit when it purchases new equipment. The owner of new equipment leased to private transit companies can also obtain the benefit of the investment tax credit. In both cases, the credit cuts the costs of the private transit company and provides greater service for the same expenditures. Under existing law, these benefits are not available for equipment leased from private owners by public transit agencies. There is no reason why Federal laws should not be changed to do away with this inequity and give public agencies the ability to lease property with the benefit of the Federal investment tax credit being available in the financing.

Preliminary studies undertaken with the cooperation of bankers knowledgeable in equipment lease financing indicate that we would be paying only 80 percent as much in rent for the equipment as we would have to pay in debt service without a lease transaction. This means that we could get the equivalent of one subway car or bus free for each four that we purchase.

If the tax laws were further changed to reduce depreciable life to seven years for tax purposes, we could save about 30 percent of our normal borrowing costs. This means that we could get more than one car free for each three that we purchase.

At a time that the MTA Chairman is forecasting a need for $14 billion over the next ten years to rehabilitate the New York City capital plant, the Buffalo Light Rail System requires future UMTA appropriations to complete the first usable stage of their system, and aging bus fleets all around the state require replacement, reductions in Federal-aid for capital improvements can seriously delay needed projects. A primary objective should be to restore some of the proposed Administration cuts in the Federal program -- at least to increase the fiscal year 1981 and future year authorizations to the FFY 1981 appropriation level which was approved by Congress just last year.

More importantly, we also should aim toward changing the distribution of the capital funds which are available from discretionary grants on the part of the Secretary to an apportionment based upon an estimate of relative needs in the various cities. Such a formula was included in the 1980 transit legislation which failed to be enacted last year, which provided for a formula distribution of a major portion of UMTA capital funds on the basis of a "needs" estimate periodically prepared by UMTA. By targeting a larger percentage of the available funds to the cities which can use those funds most effectively to promote national energy, economic and environmental objectives, we can continue to finance the most needed transit services.

We hope that Congress will recognize the national importance of continuing public transportation services in New York and elsewhere, and will allocate an adequate amount of funds to at least ensure that our investments in such services are properly maintained. We would also appreciate consideration of our proposal for enabling public agencies to take advantage of savings which can be achieved through leasing of capital equipment. We further suggest that serious consideration be given in any transit legislation to the provisions of last year's Senate bill which allocated capital grants to the urbanized areas on the basis of an estimate of the relative need for such funds.

### FEDERAL ROLE IN TRANSIT SERVICE

Senator D'AMATO. Continue, Mr. Kupferman, please.

Mr. KUPFERMAN. Basically, there are four points that we have tried to make in appearing before this subcommittee.

Number one, we want to establish the fact that there is a national interest in continuing and expanding transit service in the areas which need such service. Allegations have been made that transit is a local problem and should be handled locally.

We feel there is a Federal role in financing and insuring that transit service continues and expands in the United States.

A second point I would like to make is, to keep transit service operating at an affordable fare, we feel that both Federal and State operating assistance must be continued.

Now, the State is prepared to shoulder its responsibility and we have proposed legislation which is being waltzed through the legislature—to keep the analogy of the dance—and we are proposing to pick up 22 percent of the non-Federal share of the cost of operating mass transit services in the State. This is an increase from about 17 percent that we have currently contributed to. However, we feel that the Federal portion is also essential in order to keep fares at some affordable level.

The third point I would like to make is that we support the suggestion which has been made to allow public operators to indirectly benefit from the tax credits presently enjoined by the private sector.

The fourth point that I would like to discuss briefly is our support for measures to distribute capital grants on the basis of needs, as opposed to the national legislation which didn't quite yet pass Congress last year.

### FUEL SAVINGS IN NEW YORK TRANSIT SYSTEMS

On the first point there is a national interest in continuing and expanding transit service in those areas that need service. No. 1, from a national perspective there is a huge fuel savings that can be attributable to New York's fuel efficient transit systems. We estimate that something on the order of 3.3 billion gallons of gasoline per year are saved because New York City and the upstate cities have extensive transit operations. That 3.3 billion gallons of gasoline is more gasoline than the States like Missouri, Indiana and other States use for an entire year. We feel that any gas saved in New York City or in the upstate cities is available for use in other cities throughout the country. So, in effect, what we are doing is, although we are not drilling for oil wells, we are producing oil as surely as Alaska, or Texas, and we don't charge for the oil that we save.

We feel that there should be a continuing involvement by the Federal Government in transit operating assistance. Other witnesses have testified as to the impact of the discontinuance of the Federal program on their fare structures. We feel that additional increases in fares are just going to drive down ridership and defeat our purposes. However, if, in its wisdom, Congress decides there is no future for an operating assistance program, per se, what we would propose is that at least there should be some Federal program to provide the operating agencies with the funds they need to adequately maintain their capital equipment and plan.

In other words, if we can't have an operating assistance program, let's at least have a maintenance assistance program, so that we are certain that the maintenance equipment that seems to be falling apart all over the country—and several witnesses testified to that, OMB has written a report on it—at least there will be funds available to maintain the Federal and local investment that we have made over the past 50 years in transit facilities.

So we could suggest that if, in fact, the operating assistance program goes, that we should have a maintenance program to replace it. We have developed some formulas whereby funds can be distributed in an equitable manner, to reflect the needs for maintenance of capital facilities. We feel that this would be cost effective, by extending the life of a bus. The average life of a bus now, I guess, is about 12 years, or at least that's what we use for planning purposes. If we could extend that life to 15 years by an adequate maintenance program, we would be saving about $125 million per year in the cost of acquisition of buses, so it is a cost-effective kind of a thing to put money into maintenance. We would propose that.

There would be equivalent savings with subway cars and commuter railcars.

The third point that we would like to make is that we support the suggestion to allow public operators to indirectly benefit from the tax credits enjoyed by the private sector. This is the proposal that Mr. Ravich made concerning the possibility of amending the laws so that private groups could get together to acquire equipment. They would take advantage of all the tax credits that might be available from the depreciation of that equipment and then they would leave it to the transit operators at a cost that would be less than the cost of actually going out and buying it. There are all sorts of details on this program which are available.

Senator D'AMATO. May I ask you to submit something on that so that I can ask the Secretary of Transportation, or Mr. Teele and Mr. Lewis for their comments in regard to that matter? So if you would submit them to us, we will submit them to them and maybe we can get them to convince the Treasury, who are always looking to get their slice of the action. We may get some support or some legislation dealing with them.

Mr. KUPFERMAN. I will certainly get back to you on that with details of the proposal as it presently stands.

Senator D'AMATO. Thank you.

DISTRIBUTION OF CAPITAL GRANTS

Mr. KUPFERMAN. The fourth point is in the legislation that recently didn't make it through Congress, the Senate version had suggested that capital grants be distributed to the urbanized areas on the basis of a needs estimate. At the present time, as you are aware, capital grants are distributed on discretionary basis and we sometimes are not quite sure on what discretion or what logic. The money just seems to flow out in no particular pattern.

Senator D'AMATO. Seemed to me that if you were running for office and you were in the right party at the right time you got a lot of discretion. Certainly that is totally intolerable, and I would hope that, and I know that that will not be tolerated. I wouldn't tolerate it because that kind of discretion is an abuse of the public. I don't care what area is enriched by it, an area that is deserving of attention should get the attention. So I subscribe to a theory that would do away with that kind of so-called discretion. Projects should be developed and funded on the basis of their needs, not, again, on the so-called discretion and political clout that comes from an area or doesn't come from an area or comes because some person locally has identified his support with or against a particular person in public office or seeking public office. That is the most intolerable kind of abuse, and I think Kennedy was right when he raised the spector about what was going on.

I am not a great admirer of the Senator's philosophy, but in terms of that point, he was right.

Mr. KUPFERMAN. I am pleased to hear you say that, Senator. I would refer you to the provisions of the Senate bill from the last Congress which did have provisions for a national needs estimate to be made by UMTA, and that for future distributions of rail modernization money, in any event, on the basis of documented needs.

I would expand that, if I were writing the laws. I would probably want to consider expanding that to bus needs as well. I don't see why only rail modernization needs to be distributed on the basis of some sort of a needs estimate.

Senator D'AMATO. Yes.

Mr. KUPFERMAN. So that's the last point that you will find in the paper that we have submitted.

I guess that's about what we wanted to present to this committee.

Again, I thank you for being able to present this and I would be happy to answer any questions.

Senator D'AMATO. Let me ask you, Mr. Kupferman, what is the State's plan if $235 million is held to be unconstitutional? It is not $235 million. It's $235 million from last year plus $235 million in the future and so now you are going to have a whole in 1982 of one-half of a billion dollars.

Mr. KUPFERMAN. That's what we are looking at.

At the present time the latest information we have is that the Court may not decide on the case until into September. Quite honestly, everyone is afraid that they are going to prejudice their case if they do advance planning, so everyone is sitting tight, waiting to see what the judge says. The judge has been at if for—we were supposed to get a reading just before election day, so it looks like he has been at it for—he will be at it for 1½ years before we get a decision on this thing.

In the meanwhile we are distributing operating assistance money on the assumption that the law will hold up or that if it doesn't hold up, at least it will not be retroactive, and that's pretty much where it is at this point.

Senator D'AMATO. All right. I appreciate your taking the time to come in here.

Mr. KUPFERMAN. Thank you, sir.

## URBAN MASS TRANSPORTATION ADMINISTRATION

## STATEMENT OF ARTHUR E. TEELE, JR., ADMINISTRATOR, URBAN MASS TRANSPORTATION ADMINISTRATION

### IMPORTANCE OF TRANSPORTATION TO URBAN VITALITY

Senator D'AMATO. Mr. Teele is the Administrator of the Urban Mass Transportation Administration. I would like to thank you, Mr. Teele, and I deeply appreciate you taking the time to appear here in New York today.

Mr. TEELE. Mr. Chairman, it is a pleasure to be in New York City this morning to appear before you to discuss the administration's proposed Urban Mass Transportation program; specifically, the 1981 budget revisions and the administration's new Mass Transportation Legislative Initiative.

Mr. Chairman, I also want to assure you that the paint on my "I Love New York" button is perfectly dry.

Senator D'AMATO. You had a raincoat on this morning.

Mr. TEELE. Let me say at the outset that it is especially fitting to discuss the administration's proposals for mass transportation in the city which is considered this country's transit capital. In no other city is the importance of public transportation to urban vitality so aptly demonstrated. It is also appropriate that we are joined today by representatives of Albany, Syracuse, Rochester, Buffalo, and others who can add the perspective of New York's upstate communities to the committee's deliberations on the administration's budget.

I fully recognize the significance which New Yorkers attach to their transit services and I can therefore sympathize and appreciate the very depth of their concern about some of our proposals.

Our proposals for the Federal mass transportation program have been conditioned by two major objectives. The first objective is to reduce inflation. The President's economic recovery program attacks the Federal spending and taxation practices that have produced the debilitating inflation which we all suffer. It is important to understand the philosophic underpinning that has guided our proposals—we believe in competition—and we believe in the judgments of State and local governments to make valid judgments for their own areas.

Let's look at New York City transit. What has the Federal Government done for New York to date? Well, we've funneled some $3.4 billion in capital and operating moneys since 1974 when the Federal subsidies began. At the same time we've produced countless regulations and procedures that have placed strings on that funding and that have driven up the cost to New York and other localities of receiving those funds.

At the same time, the Federal Government has been making its costly demands, within the transit industry itself, inflation has taken its toll—in increased labor costs well above national labor increases—in the increased cost of fuel—and in the numerous add-on costs of equipment and materials.

### PROBLEMS IN OVERREGULATION AND INFLATION

As this administration sees it, New York, like all other transit cities, has two problems: You are over-regulated and you are dealing with inflation within the transit industry in excess of the national inflation which we all know is too high.

Here's what we intend to do about it:

We will return decisionmaking to State and local properties;

We will provide to State and local levels greater financial flexibility in planning and managing transit systems;

We will minimize proscriptive Federal regulations and procedures concerning acquisition and construction of capital equipment and facilities; and

We will encourage private enterprise participation in local transit systems.

### SUPPORT OF CAPITAL INVESTMENT PROGRAMS

We believe that the most appropriate, productive Federal role lies in the support of capital investment programs. Such assistance allows localities to modernize and maintain mass transportation systems with minimal intrusion into State and local decisionmaking processes.

Our legislative initiative provides for concentrated Federal capital investment. This policy will insure that cities such as New York, which are committed to and dependent upon their public transportation networks will receive high Federal priority in maintaining viable transit systems. This is crucial to New York City where existing bus and rail networks do demand attention. In fiscal year 1982, the administration plans to emphasize these activities in the discretionary capital program and to request $1.497 billion for bus and bus-related projects and for rail modernization projects. Furthermore, this level is increased in the tentative budget plans for future years.

Additionally, Federal operating assistance has also led to Federal intrusion and regulation. Such intrusion tends to offset and stifle the creativity and flexibility of local and State decisionmakers. As an offset to the reduction and elimination of operating assistance, we have initiated a comprehensive review of existing UMTA regulation and procedures with a view toward eliminating those which have caused unnecessary financial or oversight burdens on local communities.

While a Federal role supporting capital investments is productive in the establishment of modern transit systems, Federal operating assistance is not. All the issues that surround the question of operating subsidies are local issues. Fares, routes, wage rates, fringe benefits, levels of service, and others. The Federal Government has no business dictating policy in these areas. The Federal Government should not be subsidizing in this area either. The General Accounting Office for instance, even suggested that because of the availability of Federal operating subsidies, local transit managers have not managed their activities as well as they might have. This, too, has driven up costs and created a need for additional subsidies.

### NEGATIVE IMPACTS FROM FEDERAL INVOLVEMENT IN TRANSIT OPERATIONS

Sir, in summary, the negative impacts of direct Federal involvement in transit operations vastly outweighs the benefits. The administration proposes to phase out the Federal operating assitance program by 1985. However, to allow communities time to plan accordingly, and to provide for an orderly transition, section 5 operating assistance available to all urbanized areas will be maintained at the current level for 1982, and then will be decreased by one-third in each subsequent year until 1985 when the program is eliminated.

To further assist the transit-oriented cities like New York, the phaseout is programed to target a proportionately larger share of the remaining funds to the larger cities during the transition period. Furthermore, our legislative proposal requests additional authorizations for capital assistance funds available in tier IV of the section 5 program.

Since this hearing is being held in New York City, I'd like to make some specific remarks about its situation.

In the budget, the New York/New Jersey urbanized area will have $220 million in both 1981 and 1982 for operating expenses. That amount represents an approximate 9 percent of the system operating costs or an estimated 18 to 20 percent of these operating deficits. Once operating subsidies are eliminated, there are several approaches for recouping these funds: A different mix of State and local subsidies; some attention to a more realistic approach to lightly used transit service; and more imaginative policies with respect to fares and pricing are just some solutions. At the national level, we will also be helping all the citizens of New York through the Reagan administration's program of reducing inflation and eliminating Government regulations and procedures which will substantially slow down the rate of cost increases. Combined action on all these fronts will not only help New York adjust to the elimination of Federal operating subsidies, but we also believe it will make New York mass transit systems healthier in the process.

I would like to stress that the administration's position on urban transit is to support capital investment and replacement, and to leave operations to local decisionmakers. We want to be helpful without being intrusive. We ask your forebearance—a trait I understand New Yorkers are famous for—as we make these gradual changes. The State of New York in general and New York City in particular, after all, are bell weathers for mass transit in this country. To coin a phrase used elsewhere, "What's good for New York is good for the country, at least where mass transit is concerned."

Mr. Chairman, I thank you for your attentions and I welcome your questions.

I would also like to say, Mr. Chairman, that your election as the Senator of New York is something that we have worked very eagerly with—subsequent to your election as a Senator of New york, we have worked eagerly with your office.

I know that quite frankly, sir, we have been apart on some of the fundamental questions, as it relates to particulars, as it relates to the operating subsidies, and I respect the constitutional process. We look forward to being responsive to you, but I would like to say something that was not originally planned.

We, in UMTA have had a very close and effective working relationship with your staff. I understand Chairman Ravich was here this morning and told you of one of the projects that we had worked out that literally will save New York City millions of dollars with one stroke of the pen, and I am very happy to be a part of that process.

But I would be remiss, even perhaps hogging the show, if I didn't tell you, sir, that Tim, on your staff, Tim Leeth, has been very effective in working with us and I have known Tanya for some time and we are eager to work with you and your staff in doing what is best, not only for New York but what is best for this country.

Senator D'AMATO. Thank you very much, Mr. Teele.

In recognizing that process and also recognizing that I have given great support to the Reagan administration before it became an administration, vis-a-vis campaigning along the same lines, in terms of the need to curb inflation, and during my brief term as a Senator, in voting for those proposals, any of them which have been difficult votes, to curb spending, because I believe it is important. I believe that the bringing down of inflation, inflationary rates, is important to the entire economy.

Recognizing that, I would like to go back to a statement that you made and that's in terms of—page 11, you say, "A trait New Yorkers are famous for," forebearance and patience, I have been very forebearing so far. I voted for lots of things that lots of my colleagues who talk about how conservative they are—they ran out on the President. I haven't. But I am wondering if we aren't running out on working people, taxpayers, middle-class taxpayers, the people that we have been talking about. If given the serious situation that the transit systems are in today throughout this Nation and in the metropolitan region, which has given great support to the President and his policies and programs and certainly want him to be a success, I wonder if we aren't moving to these so-called changes too swiftly, as opposed to seeing it gradually.

When we talk about gradual changes, fine. I can see that we don't increase the level as established by Carter in 1976, the Carter administration, continually upward, but to take it in 3 years by reducing the subsidy one-third, one-third, one-third, is that gradual? Would you say a one-third reduction in 1983, followed by a one-third reduction in 1984, followed by another one-third reduction, so that by the end of 1985 we have nothing, do we characterize that as gradual? That's where I can't be forebearing and patient.

Mr. TEELE. The one-third reduction is a correct analysis and while I would consider it gradual and reasonable, there are others, obviously, yourself included, that consider it rather dramatic.

Senator D'AMATO. Mr. Teele, recognize this: I do not place the onus of these reductions on yourself. In fairness to yourself and your staff and your office, you have been absolutely cooperative and gracious. You have, I think used the power that lies within your jurisdiction, to the best of your ability, to meet those legitimate needs that we have, and concerns and, indeed, you have done so. I just don't believe that the administration thinks that one-third, one-third, one-third in 3 years, to totally wipe out operating subsidies, is gradual and is not going to be the kind of shock that may effectively do away with necessary transportation. They are underestimating the potential for job dislocation, et cetera, and I would recommend for their reading the Federal Reserve Bank's report, which was submitted today, and we will submit a copy to you, and the Federal Reserve Bank's concerns that to impair transportation any further will have great economic consequences.

Those consequences will be suffered here in New York. Those shock waves are going to be felt throughout the Nation and I would suggest that we have an over-simplification.

When I hear about the supply side theory carried out ad nauseam, ad nauseam, ad nauseam, why, then, I think we had better wake up or we are going to do the President a great disservice.

## EFFECT OF CONTINUED INFLATION ON TRANSIT SYSTEMS

Let me ask you, what if the inflation, which is a great part of this whole thing, what if it is not reduced nearly as rapidly as people think or the expectations seem to be in the general public? I think we are doing a great disservice to the public by telling them we are going to reduce inflation so quickly. What happens if inflation continues? Where do the transit systems get their money?

Mr. TEELE. We will obviously have to review our entire economic plan for recovery. The failure to at least begin to harness and bring inflation under control is one of the key tenets of our plan for recovery, as the President announced on February 18.

But I would like to return to that one-third, one-third, one-third. I think it should be clear, sir, that we have executed this equation in such a way that the reduction will not be one-third, one-third, one-third in New York City. It will be one-third, one-third, one-third nationally, but by keeping in the tier 2's and tier 3's at a constant level, the one-third, one-third, one-third is coming, actually, all out of the tier 1, which is population, population density.

Tier 2 and tier 3 are based upon set-aside formulas for urbanized areas and those dollars will stay constant. So we have, in fact, attempted to——

Senator D'AMATO. Address an inequity that has existed over many years in terms of vis-a-vis dollars in construction, in capital improvement, and I recognize that.

Mr. TEELE. Yes, sir.

The other point that should be made is that the whole question of the section 5 assistance is really a relatively very, very new concept and it would seem to be a little bit unfair to expect a phaseout of a program that would exceed the duration of the length of the program to date. The duration of that program, sir, is 6 years. That program came into existence; it was born; it was a creature of the Government in 1974. This represents a 6-year period of time, so, in fact, a one-third, one-third, one-third over a 3-year period—actually, 3½-year period in fiscal year 1982, there being no reduction—is another factor that should be considered whether or not that durative time is long enough. We would suggest, of course, that given a program that has only been in existence for 6 years, that the longer you keep it in, the more dependent it becomes, the properties depend upon it.

Senator D'AMATO. Maybe a place to start bargaining, if you are offering for the administration, Arthur, a 6½-year stretchout as opposed to a 3-year stretchout, you cushion it a little bit and I will take it back to some of my transit people and ask them if that might ease the pain a little, giving them that opportunity to have 6½ years to deal with the shock of that reduction.

Mr. TEELE. Mr. Chairman, I certainly don't want to be misinterpreted.

Senator D'AMATO. That was a deliberate misinterpretation.

Mr. TEELE. I am under strict instructions that we are here to——

Senator D'AMATO. Hold the line?

Mr. TEELE. Yes, hold the line.

## MANAGEMENT

I would like to make one other point and that is a point that has been made by several of the persons that appeared before you today. It is a question of management. I think the whole question of operating subsidies has got to be viewed from a perspective of what are we doing, not whether or not we are to pass these deficits directly to the riders. There are a lot of options and options that statistically really can be documented that present properties have available to them.

The decision of cutting Federal regulations will also cut, we believe, significantly, the cost, particularly as it relates to inflation and add on costs that delays—and delays that I might add, sir, that the Federal Government, many times, causes.

## TRANSIT SYSTEMS OPERATIONS

The other point is just the pure objective evaluation of transit systems operations, nationally. There are certain established trends within the state-of-the-art of evaluating managment of transit properties that are available. I think that the committee should review those trends and I think you will find in cities like New York that have done a very good job in some areas, by some standards used in the rail area, have not done clearly as well in the bus area, where all of the indicators are almost doubled what the national averages are in terms of cost. We believe that a more effective, a more thoughtful management of transit properties will more than offset, coupled with a reduction and elimination of Federal regulations, will more than offset, or wash, the eliminating of the operating subsidies. Which, sir, as you well know, nationally only accounts for 13 percent of the total operating costs, so these figures that are being thrown around that it will cost, figures that equate to an excess of 50 and some figures as high as 60 percent of the current bus fares are really not based upon a pure question of eliminating the operating subsidies. They obviously compute other factors in it, as well.

Senator D'AMATO. You talk about bus management and the 200 percent, or a 100-percent increase in New York, area after area, in regard to that, suggesting that there is room, if there was greater flexibility to be given. Could you detail some of those areas to the committee? Because, obviously I have my concerns about what the cutbacks of funds will be, but if there are areas where we can begin to make substantial savings, I would like to know about those areas.

I think it is important. I think the public would like to know.

Mr. TEELE. I will, sir, will provide them for the record.

One, for example, is the operating cost-per-revenue-mile where the national industry average is $2.19. In the larger systems, the average is $2.75. In Chicago the average is $2.45. In Washington, D.C. it is $2.71. In Albany, N.Y., it is $1.63. In New York City it is $4.16.

Senator D'AMATO. What is that?

### OPERATING COSTS PER REVENUE MILE

Mr. TEELE. This is the operating cost-per-revenue-mile of the bus fleet.

Senator D'AMATO. How do you compute that cost, operating cost-per-revenue-mile?

Mr. TEELE. This is based upon data that is supplied by both APTA and the UMTA management staff. They can now provide you with a basis for that data.

Senator D'AMATO. What does that figure mean? Are you saying that they pay twice as much for a bus driver, or how do you break that figure out? Where does it come to? How do we get the $4.15 per operator mile? I don't deny, but I would like to know how that comes about. I don't doubt the accuracy of your figures, but I think it would be interesting to find out how do we get this doubling of the operating cost per mile? What accounts for it?

Mr. TEELE. We have not analyzed it. Of course, New York City, the New York CTA has provided us with these figures, based upon section 15 and other requirements——

### BREAKDOWN ON OPERATING COSTS PER REVENUE MILE

Senator D'AMATO. I am certain that those figures are valid. As you have indicated, they have come from the authorities themselves. They would have no reason to inflate them.

What I would very much appreciate, and what I think is very important for this committee, if you could report back to this committee within the next several weeks a breakdown and a comparison breakdown on the operating cost per revenue mile, the buses, so that we could find out where the disparities exist. Does it exist just in the amount of money paid to the mechanics and to the drivers? Is it that we are paying more for our buses? Is it all of those factors, or the workmen's compensation rates, unemployment insurance benefits, all of those factors that go into the cost? I would very much appreciate, so that we could get meaningful findings on the situation and if, indeed, there are certain steps that must and should be taken locally, why, then, as hard as I am raising the cry and fighting for relief from what I think should be a rather danger course of action, the administration, I am sure, is not afraid to turn around and say, "Let's clean our house and get these operating cost down, or address ourselves to the serious situations that are called for."

Mr. TEELE. Mr. Chairman, we will be happy to provide you with that. But the thrust of my statement in that regard is that these are purely local matters. When you inject section 5 funding, you have injected, also, the Federal Government will all its rules, regulations and procedures into this. These are things such as the salary, a proper salary level, the type of fringe benefits, the retirement program, the fare structures, the service structure, and calling upon my testimony again, we believe, sir, that these are decisions that can best be determined and best be handled and best be decided by local decisionmakers.

### ELIMINATION OF 504 RULES AND REGULATIONS

Senator D'AMATO. Let me say this: I wrote out a little question in regard to that statement about eliminating the rules and regulations. There's nothing that says that because you do something that is good and positive and affirmative that most people—and by the way, there are some people that don't agree, but I think that most people operating those buslines and most of the local administrators would say that that's wonderful that you are eliminating those rules and regs, but on the other hand you have to then eliminate some of the dollars that have been flowing, and as quickly as you are eliminating.

In other words, one doesn't necessarily call for the other.

Fine. I applaud the elimination of 504, or some of the requirements as called for by 504. I applaud that language which we are working on right now with UMTA and some of the other people, to give broader flexibility in local operating management, but there is nothing necessarily that calls for the other side of the coin, to say that, well, because we do that now we are going to take away, because we have eliminated something that should have been eliminated in the first place. It shouldn't have come to pass in the first place, because Joe Califano wrote it in there in blood, and that's where it came from. I know what happened over there. The Congress opened the door and let the Secretary, who used to be with Health, Education, and Welfare, write in preposterous legislation as a SOP. Otherwise, if you raise your voice, you are against the handicapped, poor and the needy. That's not the case. We didn't have the guts to stand up to it.

Now that you are addresing that, it doesn't really mean, though, that by the same token you take away something that was designed to help local government to meet this problem.

If the Federal Government wants to set reasonable criteria for operating contracts or for the management procedures, I want to tell you something: I have no problem with that. Reasonable criteria is no problem. I welcome your intrustion, if you are going to help the management, per se, set certain broad standards by which you may aid. Seems to me that that's the kind of think you do, instead of just saying, "we're going to take it away."

There have been some switches. We had a representative from Westchester who testified that it seems that there was a rather effective mix of local and State aid, our own Federal aid, and also private operation. Why should they be penalized in that kind of situation? So, it seems to me that those questions——

Mr. TEELE. In response, Mr. Chairman, I would like to return to, perhaps, a simple kind of problem or regulation, one not as exact as 504, which is pursuant to a law, but the requirements, for example, of motives and procedures thereby conform to a Federal standard of due process.

I would like an opportunity to be heard.

Senator D'AMATO. Yes.

Mr. TEELE. Because we give section 5 funds, which constitute the operating assistance for a transit system, we also read in the Federal due process and notice requirement. Now that means simply this: If a local transit property proposes a change in service or routes, or as one representative pointed out at this hearing, when a bridge was actually out of service and they had to divert the buses around that bridge, they had to provide notice under the Federal procedures. This requires publication in a newspaper, a hearing which no one in 99.9 percent of the time ever comes to—because most of the changes are noncontroversial, they are just management kinds of things—a time period to allow for additional comments, and then, of course, the route change. Of course, with the regional office's blessing.

By eliminating the operating subsidies, they eliminate all four or five of those steps that are involved.

Senator D'AMATO. I thought those notice procedures were going to be eliminated much more swiftly than having to wait for 3 more years. Arthur, I thought we could come up with something rather imaginative and set some reasonable requirements by which we could deal with the notice of provision and not fall back on the thinking of, "Well, since this isn't in the Federal code, consequently the due process would stand, in that we have the dame notice procedure," I don't believe the Constitution ever said that or prescribed that.

Mr. TEELE. I used that as an example, and one that clearly—we have discussed this matter. We have come up with a few more imaginative ideas, at your staff's suggestion, working with us, and we believe the formal requirement for the hearing could probably be set aside, unless there is some request for that, and we will be streamlining that, but we will not be eliminating the Federal requirement. That is something that is purely a local decision and it really touches on a number of management questions.

Senator D'AMATO. On March 19, Judith Connor, an Assistant Secretary of Transportation, in response to my question, stated that no studies have been performed on the effects on transit systems of operating subsidies over the next 4 years, in terms of what these effects would be.

She indicated to me that she would get those. Of course, that was on March 19. I don't have any today. I think she was just happy to get done with that hearing.

## ANALYSIS ON EFFECT OF FARE INCREASES

Do you have any analysis? Has any analysis been initiated? Because it would seem to me that if it hasn't and people tell me there has been something done, how are we going to base our policy decision? What is the effect of these fare increases going to be when we have people from Syracuse, Rochester, and Buffalo in here today who testified to the effects? Now, wouldn't it be terrible if we were to find out that we are going to throw a whole lot of people out of work because the buslines are going to close down? What is the relationship between fare increases and the amount of ridership, and what happens then to our economic policy when people go out of work and aren't producing, but then become recipients of social services? Do we have any studies on that yet?

Mr. TEELE. We do have studies and I think the question—you are quite right. The Assistant Secretary was very glad to make any statement at that point of the hearing and she did direct another study to be done. We had done a survey which basically was a matrix with certain assumptions. We have done more formalized studies. There is no statistical variance between our initial matrix and the initial study that we directed to be done by the transportation center at Cambridge, Mass. It is, primarily, an elasticity study of fares. It is a complicated study. I will be happy to provide a summary of that for the record, but basically our study does conclude that there would not be a significant statistical dropoff in ridership which would be attributable to fare increases, based upon the elimination of section 5 subsidies.

## FARE ADJUSTMENTS

Senator D'AMATO. Let me just refer you to something that the Assistant Secretary of Transportation said: "Adjustment in fares, varying from 5 cents a year to roughly 18 cents a year, will be called for in the larger cities."

That kind of seems to be somewhat what the consensus has been, by those who operate these subsidies or these systems. The subsidies would require a raise from 5 cents to 15 cents. But if there was an impact on the small cities, what would that be?

She said the elimination of the operating subsidy would require a dropoff in ridership, and if you didn't change your local fare that you couldn't meet the reduction in moneys coming in. She also went on to say that the smaller cities, or it might conceivably be that some smaller cities, would have to look at a different mix of services. When I hear those words, "different mix of services," aren't we really saying that there would be lines that would be eliminated and that in certain areas we might really face the closedown of mass transit, or the closing of bus routes, et cetera? Isn't that what we're saying?

Mr. TEELE. I think a reasonable interpretation of that could suggest that conclusion, but that's not really what we are saying. What we are saying is that there are some routes that are not profitable, that shouldn't be run right now, anyway, in virtually every community. There are some systems, both rail and bus, that can conceptually never be operated on a break-even basis because they are systems that never should have been put in place, and we are saying, yes, as to both of those things. Because that's really what a more thoughful management, based upon some reasonable cost that you expect the public to bear the burden of in operating these weak and unprofitable systems, would dictate.

I use the statement, "a different mix of State and local subsidies," which is something that the more thoughtful States have begun to wrestle with, and that's the question that you have made reference to on several occasions today.

In Maryland, for example, the State department of transportation runs the system.

In Charleston, S.C., for example, the utility company bleeds off the so-called profits from its more profitable operation, the electric lights, and provides for the subsidizing of its bus routes. A similar approach is used in New Orleans, but the recurring theme, sir, comes back that these are local decisions that can best be resolved by the local decisionmakers, based upon the uniqueness of that particular geographic region.

## CHANGES IN CAPITAL GRANTS PROGRAM

Senator D'AMATO. I would like to ask you, or call to your attention, a rather subtle but significant change in the capital grants program. The language now says that there is an 80-percent Federal share, the language to read, "not to exceed 80 percent."

The Assistant Administrator said—indicated this was to give the Administrator discretion in how to utilize the funds.

You are the Administrator. Now, let's go back to that.

We now have 80 percent—80–20; is that correct?

Mr. TEELE. We now are required to put up 80 percent of the money and we now require the local properties to put up 20 percent of the money in the capital assistance program, section 3.

Senator D'AMATO. Let's go back to that capital assistance program where now, under the new legislation, will say, "not to exceed 80 percent." That means that you might say, well, you have got to put up 30 percent, instead of 20, or 40 percent or 50 percent, and, in effect, there may be then the total inability of local communities to really participate.

Don't you see that as a concern that should be raised by local States and various commutal areas?

Mr. TEELE. I think it is a matter of concern. I think it is being properly raised now. I guess I would like to try to respond to it.

We are talking about section 3 funds, which are a broad mix of funds. Basically, we are talking about rail modernization, which is designed primarily to insure that our rail systems throughout the country are run in a safe and effective manner rather than to provide esthetic kinds of changes. We are also talking about the so-called urban initiatives category, which are designed primarily to provide terminal and structural assistance, which we also are proposed to eliminate. We are talking about the bus procurement and bus facilities program and then we are talking about a host of other discretionary programs.

This administration, as previous administrations, has taken a very strong level of commitment to the bus procurement, bus facilities programs. We recognize our responsibilities and we are prepared to discharge our responsibility in this area. There are, however, a number of innovative programs or innovative eligible programs that have been introduced that are questionable in their own merits, as it relates to whether or not they will have proven results.

Yet, still, the Government has an interest to move forward and move ahead.

In many of these areas we have had properties that have come up and said, "We would be willing to pay half of the cost of this program because we really believe in it," but you have turned us down under the original criteria, which was based purely on needs at this time. We are asking for the flexibility to go into partnership with local government by allowing them, if they really believe in the project or the program, to move forward with a greater than 20 percent share.

Quite frankly, sir, we have turned down a number of dollars in programs where local communities have been willing to come up with as much as 60 percent of the money, but by law we cannot do that. We must stay within 80–20 mix.

### 80–20 MIX ON TRANSPORTATION FUNDING

Senator D'AMATO. Am I being assured that there is no intention, then, by changing the formula that requires 80 percent, up to 80 percent, that those normal practices—example: acquisition of buses to replace buses. Example: the kind of capital improvement that is absolutely necessary. Am I being assured that the mix will still be 80–20?

Mr. TEELE. In the normal programs, specifically the normal bus procurement program——

Senator D'AMATO. Rail modernization.

Mr. TEELE. Specifically rail modernization, where there are safety implications, you have our assurance.

Now there are some innovative bus programs, for example, where a particular property would like to buy a bus that is not manufactured in this country. We have indicated to them that the merits of this system are unproven, the maintenance costs are indeterminate. The established system does not allow for maintenance of that particular system and we don't want to be that involved and when they have come in and said, "We want to pay 60 percent of the cost," quite frankly, we have asked for an exception to policy in those cases.

Senator D'AMATO. One final question, if I might.

I am delighted that you put that into the record. When we are talking about the standard procurement, modernization, improvement, it will still be the 80–20?

Mr. TEELE. That's correct.

Senator D'AMATO. We are dealing now with the flexibility that in those kinds of initiatives that might not otherwise be economically acceptable or prudent for you to invest in moneys, that this will give you greater flexibility to allow the local government to undertake those things that otherwise you could not be participating in.

Mr. TEELE. That's correct, Mr. Chairman.

Senator D'AMATO. Somebody's got to state that. There has to be a memo. You have to send it out to all of the various agencies, letting them know. When I say agencies, the authorities throughout the country, the bus and rail and transit people.

I wanted to ask you——

Mr. TEELE. Mr. Chairman, I would like to say this, specifically: This type of mix may provide flexibility for a new starts program at some point in the future whereby a local property is prepared, under the terms of our economic recovery program to defer our new starts, at some point a future property may come forward and say, "We are prepared to build this rail system and we would like the opportunity to put up 50 percent of the cost, if you would move your deferral of new starts," and that would stimulate a whole new set of thinking—could stimulate a whole new set of thinking within the administration. It very well could.

Senator D'AMATO. First of all, Mr. Teele, I have to be impressed with your sincerity, with your work. You have inherited a program that has been spelled out by the budget process. You do an excellent job in defending it and putting forth its strengths, and I want you to know that in no way—I am delighted that, at least, we have you there, because I think you will be responding to the local concerns wherever you possibly can. In no way do I want you to take my deep concerns and reservations about what the full implementation of this proposal, if allowed to continue as it is, if there is not a stretchout, for example, in the period of reducing and maybe eliminating the operating subsidies, would have.

We are fighting for survival in this State at this time, with transportation being that vital link to make it possible for people to get to work. Whereas, you might have a policy that might not do great violence to another area over a 3-year period of time, the elimination of those operating subsidies, I believe, just adds another ingredient, another detriment, another weight to an already very complicated program.

A 72-year-old system, a system that has lapsed for State leadership, local leadership, for many, many years in directing the kinds of capital improvements necessary, in failing to demonstrate its concern to the public, and so this kind of situation that we are talking about exacerbates a rather difficult situation that has been created, not because of the Federal Government, but on other areas.

Let me suggest this to you, that there are those in government and in politics who are known to be less than candid, less than factual, when it suits their political convenience, and who like to dump the blame for whatever the failure of the transit system might be right in the Federal Government's lap, irrespective of the fact that over the years that they have been here and had charge they have not addressed themselves adequately to the problem. If they could do that by way of saying, "Look at this loss of transit aid and that is what has created this collapse," they will do that. They have been known to do these kinds of things. I would say that it would behoove our administration to recognize that, so that we could deal with that in some kind of way and maybe not give these people—the so-called demagogs—the opportunity to do exactly what I am predicting they will be doing the next year or the year after.

I would hope that you would convey that sense of urgency to the administration, because I see it taking place.

I have done it in such a veiled way that the State guys are over there shaking their heads and getting ready to go. I haven't mentioned names, but you know that's what I am talking about. That's what's going to take place. The whole thing has collapsed because of the Reagan policy. That's bad, but the fact is that we do need that type of help. We have a peculiar problem. We move more people here—30, 35 percent of the Nation's transit is moved right here. We talk about this as being the transit hub.

"What do they have those big tunnels for, Mommy, Daddy?" Little kids walking around there.

"I don't know. They used to have something called subways. I don't know what a subway is."

That might be carrying it to an extreme, but those are the kinds of things that I would like to try to avoid. If we do our part and try to demonstrate—the Federal Government—then we make it more difficult for local and State officials to cop out. If we do our part and set our standards and do the right kind of thing, then, hopefully, we set a kind of tone that they are going to emulate.

## CREATIVE FINANCING PACKAGE

One last question. Mr. Ravich has indicated, as have some of the others, that they will be submitted and have, indeed, submitted a package to us in terms of creative financing.

Maybe you can set some of that cost down, in terms of bus acquisitions which would allow, for example, an enterprise to go out and acquire the buses, and then lease them to the local municipalities, thus availing themselves of some of the tax writeoffs, et cetera, saving money.

Would you look into that? Will you give us the report on that and would you let this committee know whether or not you can support that kind of endeavor?

In other words, by utilizing that competitive type of financing, couldn't we cut through and streamline the process that now exists and maybe do away with some of the paperwork that's required, but more important, get up a better product at a cheaper price?

Are you aware of that proposal?

Mr. TEELE. I have discussed the proposal in general terms with Chairman Ravich and we have it under review. It will be elevated to a fast track as a result of your request.

## CONCLUSION OF HEARING

Senator D'AMATO. I would appreciate it if you could let my staff know, Tim and Tanya, and I would be very, very appreciative.

I want to thank you and all of the participants. I thank you for your courtesy in responding to this call of the subcommittee and your candor. That's a very refreshing thing.

Mr. TEELE. Thank you, Mr. Chairman.

Senator D'AMATO. This concludes the hearing. The subcommittee will recess. Thank you very much.

[Whereupon, at 2:10 p.m., Tuesday, April 14, the hearing was concluded and the subcommittee was recessed, to reconvene at the call of the Chair.]

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